

LANKA MILK FOODS (CWE) PLC | ANNUAL REPORT 2022/23

DAIRY

FROM TRADITIONAL TO STATE-OF-THE-ART



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DAIRY

FROM TRADITIONAL TO STATE-OF-THE-ART

As one of the largest dairy producers and manufacturers in South Asia, Lanka Milk Foods is proud of the significant progress we have made over the years, as we transitioned from traditional to state-of-the-art. This year, we marked several milestones as our new facilities at Ambewela and Pattipola were commissioned into operation using modern dairy farming techniques and state-of-the-art equipment.

We have combined tradition with the latest technology and techniques to take dairy production to new heights of productivity and efficiency. By combining the deep knowledge gained from years of traditional farming with new innovations and technology, we have moved into a new era of dairy in Sri Lanka.

From its inception, the LMF group has embraced the art of dairy – from being the first to provide mothers with nutritious milk powder for their family to traditional farming on our pastures using artisanal processing methods and now to state-of-the-art modern farming, with climate-controlled milking parlours, feed management, cow tracking and production monitoring.

As we expand our horizons, we are proud to be pioneers in the industry, taking dairy from traditional to state-of-the-art.



About Us



LANKA MILK FOODS (CWE) PLC

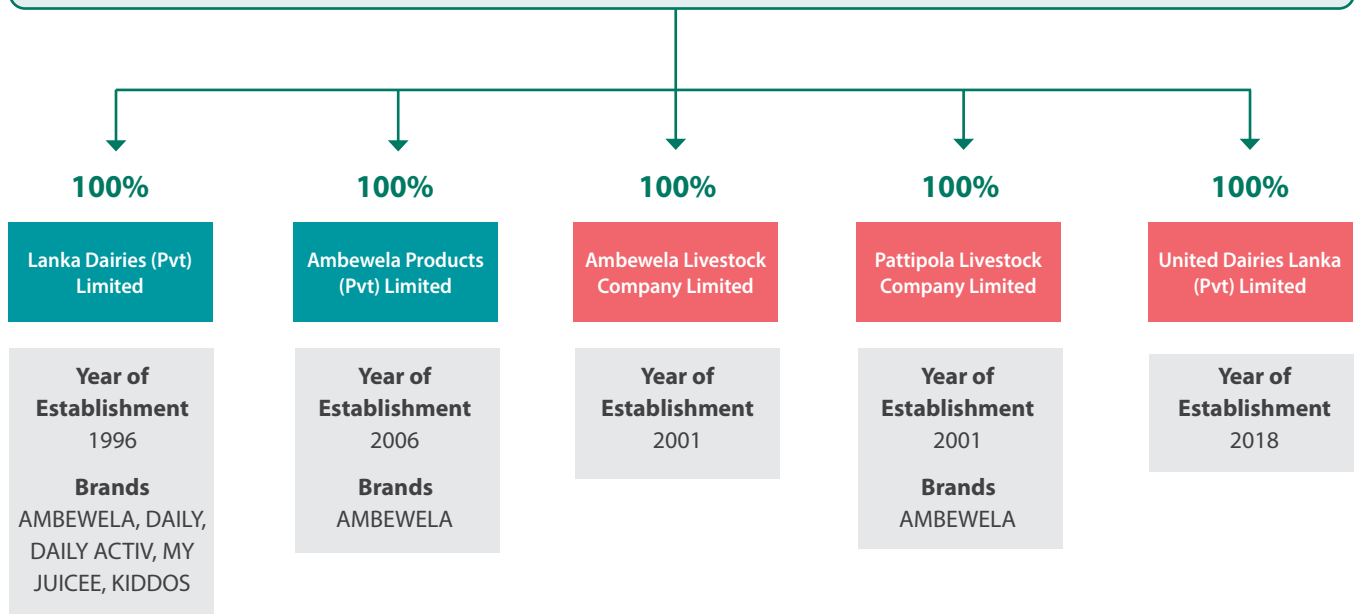
Lanka Milk Foods (CWE) PLC is a leading dairy and beverage company in Sri Lanka with a portfolio of popular brands. We have provided quality and nutritious products to Sri Lankan consumers for over 50 years, with our flagship brand Lakspray being a household name. LMF Group also offers other dairy products such as Ambewela, Daily, My Juicee, Red Bull beverage, Happy Cow cheese, and Dano milk powder. We operate two of the largest dairy farms in the country, Ambewela Farm and Pattipola Farm and state-of-the-art manufacturing and packaging facilities at Welisara and Ambewela locations. We commenced operations at United Dairies Lanka (Private) Limited, our newest state-of-the-art dairy farm, one of South Asia's largest dairy farms.

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



* Indo Lanka (Pvt) Limited (Year of Establishment - 2009)- Not in operation

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 this Report

We are committed to the principles of Integrated Reporting, and we 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 our stakeholders' information requirements and expectations, providing a transparent overview of our overall performance from 01st April 2022 to 31st March 2023.

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, Indo Lanka Exports (Pvt) Ltd (collectively referred to as "Group") present the performance for the financial year ending 31st March 2023.

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

Reporting Standards and Principles

The Financial Statements have been prepared following the Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka (Sri Lanka Financial Reporting Standards) and comply 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 the sustainability reporting.

Feedback

We remain committed to continuously enhancing the quality and readability of our Annual Report and welcome your suggestions and comments. Our Annual Report reflects our ongoing efforts to improve the quality and readability of our communication with our stakeholders. We value your feedback and suggestions on enhancing our report and making it more informative and engaging.

Our Annual Report reflects our efforts to improve performance and communicate our achievements to our stakeholders. We strive to make it clear, concise and informative for our readers. We value your feedback and suggestions on how we can enhance the quality and readability of our report in the future.

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

Our Range of Products



Lakspray

For over five decades, the creamy milk flavour of Lakspray has brought happiness and fond memories to the lives of many Sri Lankans. With its rich blend of essential milk proteins, vitamins, and minerals, Lakspray offers a nutritious option that promotes the well-being of adults and children. In order to accommodate the diverse preferences of our customers, we provide Lakspray in multiple package sizes ranging from 50g to 1kg packs.



Ambewela Dairy Range

The Ambewela brand, renowned for its abundant dairy goodness, has firmly established itself as the go-to source of dairy nutrition in Sri Lankan households. Nestled amidst the verdant hills of Sri Lanka's most lush pasturelands, Ambewela Farms brings a stream of creamy milk that embodies unparalleled freshness and uncompromising quality.

Ambewela Farms stands as a symbol of prestige and innovation in the realm of dairy farming. As a dairy farming complex in Sri Lanka that uses cutting-edge farming methods, it always upholds its brand promise by offering its customers the healthiest and highest-quality dairy products.

Ambewela Full Cream Milk and Ambewela Non-Fat Milk are UHT processed, and aseptically packaged in Tetra Brik Aseptic packs with a cap to satisfy the expectations of today's liquid milk consumers. These milk packs are available in 200ml and one-litre versions and a pouch pack of 450ml.



Ambewela Set Yoghurt

In a remarkable journey of culinary innovation, Ambewela Products (Pvt) Ltd introduced Ambewela Set yoghurt to the world in 2009. It is an 80ml cup renowned for its unrivalled flavour, serene colour, velvety texture, and remarkable nutritional profile.





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 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. The Daily range of flavoured milk offers a delightful assortment of flavours to suit various palates. Whether one craves the timeless classics like vanilla and chocolate or seeks the fruity freshness of strawberry and banana or even the unique and enticing blends of iced coffee and faluda, Daily has something for everyone.

For those who can't resist the indulgent allure of Faluda, a one-litre take-home pack is available to satisfy their cravings. The Daily range is exported to the Maldives and is mainly 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 from our farms. With the right combination of taste and nutritional value, Activ has become 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.



Ambewela Drinking Yoghurt

In February 2016, Lanka Dairies (Pvt) Ltd unveiled the 180ml Ambewela yoghurt beverage in vanilla flavour. The product includes no preservatives and has a four-month shelf life without refrigeration.

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



Our Range of Products



UHT Flavoured Milk

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 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 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 Cheese

Ambewela Farms caters to diverse customer needs, including the hospitality sector, with a selection of four types of cheese. From conventionally-made cottage cheese to Edam, Gouda, and Parmesan cheese in various forms and flavours, we offer a range of options to suit different preferences.

Ambewela Products (Pvt) Ltd specialises in European-style cheeses such as Edam and Gouda blocks, slices and a 100ml Ambewela Spread Cheese cup tailored for the hospitality industry. Our 200g pack of processed cheese is a delicious and outstanding product, with exquisite taste.

The cheese made by New Zealand Farm in Pattipola is produced more conventionally, 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, chilli and garlic.



My Juicee Fruit Drink

My Juicee is a refreshing ready-to-drink fruit beverage that not only quenches your thirst but also provides your daily dietary requirement of vitamin C. Crafted with care; it is produced and aseptically packed at Lanka Dairies’ state-of-the-art Welisara factory, ensuring utmost hygiene and quality. It is available in apple, mango, mixed fruit and orange variants.

With its refreshing flavours and commitment to quality, it’s a beverage that can be enjoyed by individuals of all ages, providing a rejuvenating burst of flavour and a healthy dose of vitamin C.

It is processed using premium quality fruit pulps and concentrates sourced locally and internationally in keeping with international standards. My Juicee is available in packs of 180ml to consume while on the move and 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 contains 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.

Introduced to the Sri Lankan market by the LMF Group in February 2022, Dano Full Cream Milk Powder has quickly become a trusted and sought-after choice for discerning consumers. Its unrivalled quality, taste, and nutritional profile have captured the hearts and taste buds of individuals seeking a premium milk product. This product is available in packs of 400g and 1kg packs.



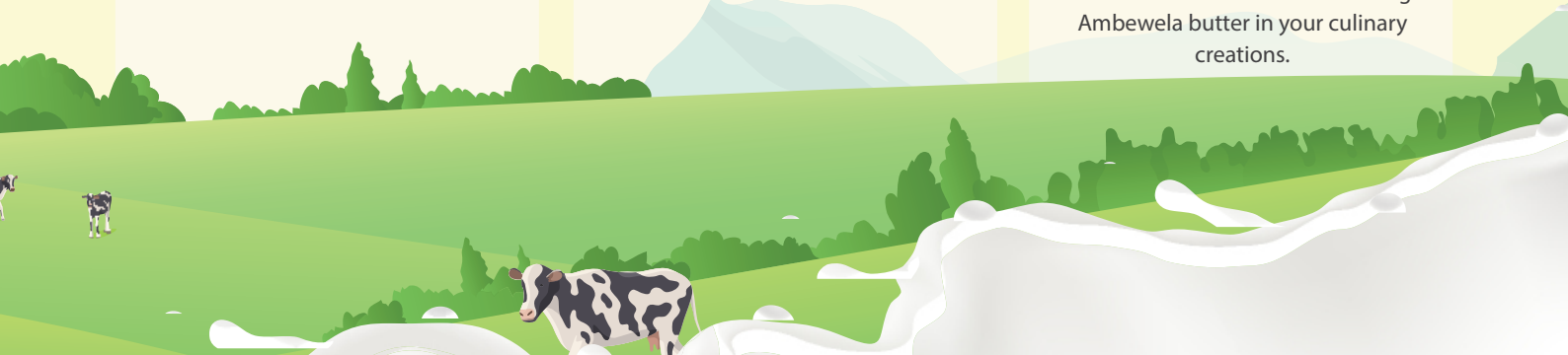
Ambewela Goat Milk

Ambewela Goat Milk is a sterilised, ready-to-drink 190ml bottle of pure goat milk from healthy goats raised on our New Zealand farm in Pattipola. It offers a rich and creamy taste, reflecting our commitment to quality and purity. Enjoy the natural benefits of goat milk conveniently in your daily routine, knowing it comes from a trusted source. Embrace a healthier lifestyle with Ambewela Goat Milk, a nourishing choice straight from our farm to you.




Ambewela Butter

Since December 2014, our dairy facility in Ambewela has been producing Ambewela Butter in convenient 200g packs, widely available in supermarkets across the island. Embrace the exceptional quality and versatility of Ambewela butter products, carefully crafted to bring joy to home and professional kitchens alike. Discover the satisfaction that comes from using Ambewela butter in your culinary creations.

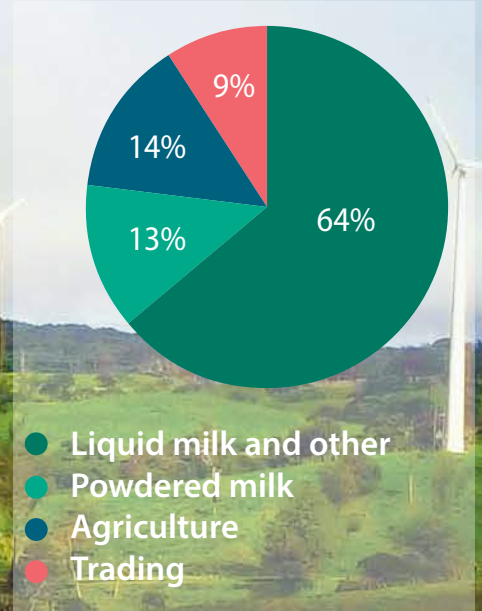


Financial Highlights

		Group			Company		
		2023	2022	Change %	2023	2022	Change %
OPERATIONS							
Revenue	Rs. '000	14,171,501	9,771,539	45.03	4,072,143	3,423,954	18.93
Gross Profit	Rs. '000	1,778,903	1,460,207	21.83	897,834	170,947	425.21
Profit from Operations	Rs. '000	1,172,934	677,646	73.09	522,792	(249,161)	(309.82)
Profit/(Loss) Before Tax	Rs. '000	1,262,422	1,097,589	15.02	1,509,202	463,618	225.53
Profit/(Loss) for the Year	Rs. '000	1,189,205	1,064,503	11.71	1,520,907	466,879	225.76
Profit/(Loss) Attributable to Equity Holders	Rs. '000	1,189,319	1,065,100	11.66	1,520,907	466,879	225.76
Revenue per Employee	Rs. '000	19,574	13,187	48.43	18,098	14,632	23.69
FINANCIAL POSITION							
Non-Current Assets	Rs. '000	16,982,033	12,949,084	31.14	12,365,536	8,054,562	53.52
Current Assets	Rs. '000	4,144,431	3,784,590	9.51	2,070,138	3,188,130	(35.07)
Total Assets	Rs. '000	21,126,464	16,733,674	26.25	14,435,674	11,242,692	28.40
Total Equity	Rs. '000	14,704,239	11,433,332	28.61	13,190,557	9,598,677	37.42
Non-Current Liabilities	Rs. '000	2,934,480	2,301,900	27.48	75,281	69,797	7.86
Current Liabilities	Rs. '000	3,487,745	2,998,442	16.32	1,169,836	1,574,218	(25.69)
Net Assets Attributable to Equity Holders	Rs. '000	14,704,588	11,433,567	28.61	13,190,557	9,598,677	37.42
RATIOS							
Earning per Share	Rs.	29.73	26.63	11.64	38.02	11.67	225.79
Dividend per Share	Rs.	5.00	7.50	(33.33)	5.00	7.50	(33.33)
Dividend Cover	(Times)	5.95	3.55	67.61	7.60	1.56	387.18
Dividend payout Ratio	%	16.82	28.17	(40.29)	13.15	64.27	(79.54)
Interest Cover	(Times)	1.11	8.56	(87.03)	2.96	(47.73)	(106.20)
Net Assets per Share	Rs.	367.63	285.85	28.61	329.78	239.98	37.42
Market Value per Share	Rs.	140.75	132.75	6.03	140.75	132.75	6.03
Price Earning Ratio	(Times)	4.73	4.98	(5.02)	3.70	11.37	(67.46)
Debt/Equity	%	43.68	46.36	(5.78)	9.44	17.13	(44.89)
Return on Equity	%	8.09	9.32	(13.20)	11.53	4.87	136.76
Return on Total Assets	%	5.63	6.37	(11.62)	10.54	4.16	153.37
Gross Profit Ratio	%	12.55	14.95	(16.05)	22.05	5.00	341.00
Net Profit/(Loss) Ratio	%	8.39	10.90	(23.03)	37.35	13.64	173.83
Current Ratio	(Times)	1.19	1.26	(5.56)	1.77	2.02	(12.38)
Liquid Ratio	(Times)	0.39	0.77	(49.35)	1.31	1.77	(25.99)

 **RS. 14,172 MN**

Group Revenue



- Liquid milk and other
- Powdered milk
- Agriculture
- Trading



RS. 1,779 MN

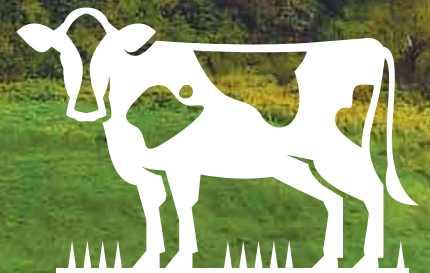
Gross Profit

64%

Liquid Milk Sector contribution to Group Revenue

RS. 1,189 MN

Profit After Tax



RS. 21,126 MN

Total Assets

Total cattle - **4223**
(as of 31st March 2023)





Leadership

STEERING PROGRESS

Chairman's Message



Dear Valued Stakeholder,

I am delighted to present an overview of the LMF Group's performance and the audited results for the financial year 2022/23. Our performance during this period has been exceptional, marked by record-breaking profitability and revenue. Our ambitious project to increase and optimise our in-house milk production, with the implementation of cutting-edge technology and modern farming practices, has now been completed. This is a significant step towards achieving our long-term vision to support national self-sufficiency in milk production. The state-of-the-art facilities now in place enable us to monitor every aspect of the cow's well-being and thereby greatly increase milk production. These Barns are the largest in South East Asia in every aspect.

This report details the Group's plans, strategies and activities that have been instrumental in driving our accomplishments during a period characterised by significant challenges. Despite the turbulent conditions that prevailed during the year, the group remained resilient, as proved by the results in these pages. We overcame many obstacles in our path and have emerged stronger.

RS. 199.99 MN

Dividend Payout

RS. 14,704 MN

Shareholder Funds

“Our ambitious project to increase and optimise our in-house milk production, with the implementation of cutting edge technology and modern farming practices, has now been completed.

This is a significant step towards achieving our long-term vision to support national self sufficiency in milk production.”

Macroeconomic Challenges

During the year under review, the Sri Lankan economy faced various challenges and macroeconomic pressures. These challenges included a severe fuel shortage, scarcity of essential commodities and raw material, power supply disruptions, and currency depreciation. The year commenced with significant pressures placed on the Sri Lankan Rupee and a shortage of foreign exchange. The declaration of bankruptcy by the government resulted in a massive downgrade of our sovereign ratings, which made the import of items such as tetra paper and flavours, needed for

our fresh milk products much more difficult, as most suppliers demanded that all our purchases were made under confirmed letters of credit, thus adding a tremendous additional financial burden.

Scarcity of essential goods, power and currency shortages and limited foreign exchange availability added to the problems faced by businesses and individuals alike. The rampant inflation that prevailed in the period also caused problems although inflation is now easing.

Group Performance

The Lanka Milk Foods Group enhanced its position as the frontrunner in the Sri Lankan dairy industry, as evidenced by our continuous growth and achievements. Turnover of Rs. 14.17 billion for the fiscal year ending on March 31, 2023, surpasses that of the previous year by Rs. 4,400 million, which is the highest ever. The Group recorded its highest gross profit of Rs. 1,779 million, a substantial improvement compared to the previous year. Moreover, we have recorded a Profit After Tax (PAT) of Rs. 1,189 million, the highest ever.

Rooted in Resilience

At the heart of our accomplishments lies our pristine dairy farms, producing the cleanest milk in the country and boasting the highest average milk production in Sri Lanka, making Ambewela pure fresh milk the best such product available. The market has embraced our natural cheeses and butter, which are meticulously crafted to meet rigorous international standards using the finest milk from our farms. Our fresh milk and yoghurt have secured dominant market shares, renowned for their exceptional quality and taste.

Our Daily and Ambewela flavoured, and fresh milk products have also achieved international recognition, becoming

household names in the Maldives. Additionally, our ready-to-drink brands have made significant strides in the Sri Lankan market, with MyJuicee emerging as a leading local fruit juice brand known for its superior quality, taste and outstanding value.

United Dairies Lanka (Private) Limited - Redefining the Art of Dairy Farming

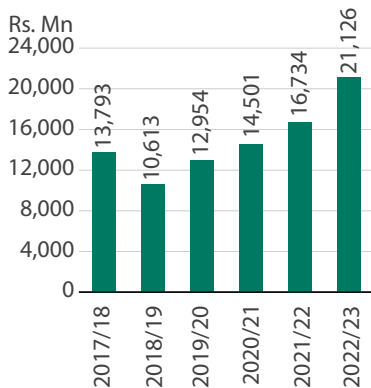
The Lanka Milk Foods Group is dedicated to expanding its in-house fresh milk production to meet the growing demand and cater to the preference for fresh milk over powdered milk. The Group's farms adhere to rigorous quality standards, thereby uniquely positioning their products to compete in both regional and global markets.

The farms have a total herd of over 4400 animals, Both with the milking cows producing an average 32-35 litres per cow. Ambewela and Pattipola Farm extensions under United Dairies Lanka (Pvt) Ltd are now operational, accommodating 2,000 cows in advanced climate-controlled sheds. The state-of-the-art milking parlours allow for individual cow tracking, efficient milk production monitoring, and the ability to divert sick cows from the milking line. The facility additionally emphasises the use of sustainable, cost-efficient techniques by utilising a process to convert slurry into bio-fertiliser and recycling collected rainwater.

Traditional farming methods are being replaced by innovative systems that prioritise efficiency, animal welfare, and environmental sustainability.

Research and development efforts have led to the formulation of specialised diets that enhance herd health, improve milk quality, and reduce environmental impact, thereby improving the productivity and well-being of the cows.

Total Assets



Chairman's Message

The dairy industry in Sri Lanka holds significant potential for supporting local farmers, but it currently fails to meet even half of the country's milk demand. To address this, upgrading the industry, guaranteeing affordable and high-quality feed, establishing a fair price mechanism for milk and milk products, and increasing herd productivity are crucial. However, challenges arise from the rising costs of cattle feed concentrates and insufficient domestic maize production, which make it challenging to obtain the required feed, compelling dairy farmers and feed producers to resort to costly substitutes.

Outlook

Our unwavering dedication towards prioritising the needs of our stakeholders remains steadfast. As we pursue strategic growth, enhance product quality, and strive for national self-sufficiency in milk production, we do so with their best interests at heart. We are committed to implementing necessary safeguards to mitigate potential issues that may arise and to upholding our well-established standards of hygiene and safety.

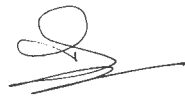
Appreciations

I would like to express my deepest gratitude to the Board of Directors, Group CEO, Executive Team, Sales Team, Farm Management team and Mr. Jaques Du Plessis our consultant. It is through their unwavering determination and commitment that we have achieved these gratifying results.

I would like to thank our stakeholders for their unwavering support and confidence in our endeavours. Your continued loyalty and trust have been instrumental in our ability to withstand and overcome

challenges. As we move forward, we aspire to make further progress as a Group, building upon our achievements and introducing more technology and innovation.

Most of all, my thanks go out to our loyal customers and dealers. Without their trust and confidence in our products, our efforts would be in vain. We prioritise our customers in every aspect of our operations, and we are truly grateful for their unwavering loyalty. We remain committed to delivering the finest products manufactured to the highest standards of hygiene and supplying the best and most nutritious products to the nation.



D H S Jayawardena
Chairman

18th August 2023

Group Chief Executive Officer's Message



Dear Valued Stakeholder,

In the face of formidable challenges that defined the year 2022/23, I am pleased to announce that the Lanka Milk Foods Group demonstrated a remarkable resilience, and successfully achieved notable milestones during the period under review. I am delighted to report that the LMF Group's revenue has increased, reaching an outstanding performance of Rs. 14.17 billion.

Additionally, the Group marked a commendable increase in gross profits, recording Rs. 1,779 million, compared to the Rs. 1,460 million recorded in the previous year's consolidated accounts and the Profits after taxes were at Rs 1,189 million.

This impressive growth was largely attributed by the performance of Lanka Milk Foods Company, particularly with respect to the powdered milk segment. However, it is crucial to acknowledge that our accomplishments occurred against the backdrop of a local economic and forex crisis, which significantly impacted the country's overall output. Nonetheless, our inherent ability to navigate these challenges and capitalise on opportunities is a testament to the resilience and ingenuity of our dedicated team.

RS. 1,189 MN

Profit After Tax

RS. 14,172 MN

Group Revenue

Group Chief Executive Officer’s Message

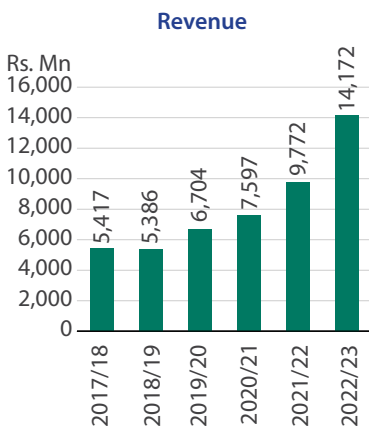
“Equipped with robust infrastructure, a skilled workforce, and extensive expertise, the LMF Group is poised to propel Sri Lanka’s dairy industry to new heights.”

Financial Performance

During the year under review, the Group’s powdered milk segment which the main contribution came from the brand Lakspray, reported a profit of Rs. 880 million, denoting a substantial increase from Rs. 269 million recorded in the previous year, supported by a revenue growth of 19%. The brand Lakspray will be further strengthened in the coming year to make sure that the availability will be maintain in the market.

Lanka Dairies (Pvt) Ltd (LDL) witnessed an increase in revenue from the preceding year’s Rs. 4.98 billion to reach Rs. 7.6 billion for the financial year which is a 53% increase.

Renowned as the market leader in fresh milk in Sri Lanka, the Ambewela Fresh Milk further consolidated its position as the market leader in the 1 Litre segment. Also, the brand “Daily” has shown significant improvements in the marketplace with increased volumes.



However, the Company faced considerable challenges in sourcing the necessary flavours and fruit pulps for Daily and MyJuicee range due to the worsened currency situation resulting from the country’s economic constraints. LDL’s net profit for the year amounted to Rs. 405 million, compared to the Rs. 528 million in the previous year. This was mainly due to the increase of raw material prices which we had to absorb some of the cost to maintain a consistent retail price in the market.

Our own farms experienced increased feed costs owing to the escalating cost of feed ingredients, thereby impacting profitability for the current financial year. Further the new facility United Dairies had to pay off additional interest cost due to high rates, therefore was also impacted badly.

Ambewela Products (Pvt) Ltd witnessed a net profit decline from Rs. 297 million to Rs. 41 million. This decline was primarily attributed to continuous price increases of yoghurts. The economic crisis significantly impacted consumers’ disposable income, leading the middle-income groups to remove the product from their essential buying lists. Consequently, the yoghurt market experienced a volume decline of around 40%.

Despite the challenges, Ambewela cheese and butter achieved improved results of a 30% volume growth, showcasing the popularity for their exquisite taste.

The Group remains committed to enhancing its product offerings in the future. Upholding the highest standards of hygiene, our dairy farms, including Ambewela and Pattipola Dairy Farms (New Zealand Farm) under United Dairies, ensure optimal milk production. The milk production operations were shifted to the United Dairies farm during the financial year, and the other two farms were developed as heifer rearing units.

Operational Challenges

To maintain a high milk production rate, it is essential to provide our herd with premium-quality cattle feed, which experienced increased costs due to shortages of specific ingredients and fluctuations in foreign exchange rates that prevailed during the year. Despite these challenges, each farm is equipped with professional management and cost-reduction plans that enable the successful navigation of future obstacles.

Unleashing Milk Potential: A Journey of Capacity Enhancement

The completion of the initial construction phase of our new dairy farm marked a significant milestone, allowing us to successfully commence operations. With the launch of our farm expansion project, we have taken remarkable strides towards our goal to reduce the nation’s reliance on imported milk powder by providing the highest quality locally produced fresh milk. Ambewela farms achieved an outstanding milestone by producing nearly 12 million litres of milk in the past year, marking a remarkable 1.6 million litres increase compared to the previous year’s output. This strategic shift not only reduced our dependency on foreign currency but also positively impacted the well-being of our citizens and generated substantial profits for our investors.

Recognised and approved by the Board of Investment (BOI), this venture represents one of the most substantial investments in Sri Lanka’s history, significantly bolstering the growth and development of the dairy sector. As Sri Lankans, we can rightfully take pride in this extraordinary accomplishment, which showcases our dedication to fostering self-sufficiency and excellence in the dairy industry.

With unwavering commitment to optimal nutrition and successful pregnancies that meet global benchmarks, we have nurtured a thriving and healthy herd at our Ambewela and Pattipola dairy

farms. Our dedication to the well-being of our animals are evident through our provision of the finest quality cattle feed, ensuring their peak physical condition. This accomplishment is a testament to the expertise of our highly skilled dairy professionals, who lead our herd management efforts, and the dedication of our committed staff who prioritise animal welfare and the smooth operation of the farms. With approximately 4,400 animals currently residing in our farms, we continue to uphold our commitment to maintaining the highest standards in dairy farming.

Expanding Horizons, Fueling Growth and Innovation

The Ambewela brand demonstrated an outstanding performance, achieving a remarkable volume increase during the year. We are dedicated to sustaining this success story by continually investing in innovation and launching new products under this well-established brand, thereby ensuring its continued growth and market impact.

Our brand 'Daily' has continued to move from strength to strength, having established a loyal customer base in Sri Lanka as well as in Maldives. With long-term plans and strategic initiatives in place, we are committed to elevating 'Daily' to become a prominent and influential addition to the Group's portfolio, and maximising its potential by delivering enhanced value to our customers.

Equipped with robust infrastructure, a skilled workforce, and extensive expertise, the LMF Group is poised to propel Sri Lanka's dairy industry to new heights. As we navigate through an uncertain future, we are confident in our ability to adapt and thrive, while delivering unwavering quality, stringent hygiene standards, and superior nutrition through a diverse range of products tailored to meet the evolving demands of our customers.


Acknowledgements

I express my sincere gratitude to the Chairman and the esteemed Board of Directors for their invaluable guidance, unwavering commitment, and continuous encouragement. Their visionary leadership has played a pivotal role in guiding our organisation to garner unmatched achievements in the dairy industry. I deeply appreciate the dedication and tireless efforts of our senior management team and every member of our staff, who have remained the driving force behind our success, particularly during these turbulent times.

In addition, I extend my heartfelt thanks to our suppliers and strategic partners, whose collaboration and support are indispensable towards ensuring the smooth functioning of our operations. Their unwavering commitment and collaborative spirit have contributed significantly to our collective success.

Lastly, I would like to express my deepest gratitude to our loyal customers, who are the heart and soul of our business. Your unwavering support and trust in our brands are truly appreciated. We will persistently strive to elevate our products, expand our market presence, and solidify our position as an industry leader in the Sri Lankan dairy sector.

Thank you



M. Dahanayake

Group Chief Executive Officer

18th August 2023

Board of Directors



Mr. D. H. S. Jayawardena
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 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.



Mr. C. R. Jansz
Executive Director

Mr. Jansz is a Director of Stassen Group, Melstacorp Group, Lanka Milk Foods Group, Distilleries Company of Sri Lanka & Aitken Spence 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 and the Sri Lanka Shippers Council.

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

Mr. Jansz specializes in the movement and finance of international trade.



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 and Aitken Spence Hotel Holdings PLC as the youngest Board Member, and the first female member on the Board. Ms. 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) 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. She was appointed to the Board of Directors of Melstacorp PLC and Distilleries Company of Sri Lanka in September 2022.

A graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom, and Emeritus Institute

of Management, Singapore - Ms. Jayawardena made waves from a young age. Ms. Jayawardena 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.

Ms. Stasshani Jayawardena was appointed to the Executive Board of The Hotel Association of Sri Lanka (THASL) and represents THASL at the Ceylon Chamber of Commerce Committee since 2019. She is an Executive Committee Member at the International Chamber of Commerce in Sri Lanka since 2020 and a Steering Committee Member of the Ceylon Chamber of Commerce Tourism. She was appointed as Chairperson of the Employers' Federation of Ceylon (EFC) Hotels and Tourism Employers Group for the financial year 2020/21. Ms. Jayawardena is also a member of the PWC NextGen Advisory Board.

Ms. Jayawardena represents the Target Gender Equality initiative of the UN Global Compact since 2020 as the Ambassador from Aitken Spence PLC. 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.

Ms. Jayawardena became the recipient of the Expatriate Contribution Award – Gold category by Women in Management Maldives. The Professional and Career Women Awards Maldives 2022 presented this award to Ms. Jayawardena for her exceptional contributions and achievements in the field of Hotel & Hospitality.

Her passion remains in designing the next generation of business with the core values of integrity, sustainability, empowerment, and equal opportunities. She believes driving her business decisions by using data and technology.

Board of Directors



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

On May 1st, 2008, Mr. Kamantha Amarasekera was appointed an Independent Director to the Lanka Milk Foods Board. 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, Udapussellawa Plantations PLC and several other subsidiaries of Browns Investments Group.



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.

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 developing, monitoring and administering numerous agricultural sectors. He has experience working in the public (Agriculture, Livestock, Education and Health sectors) and private sectors, central and provincial ministries, and 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, UNDP, UNHABITAT, Land O'Lakes, and Oxfam GD. Currently, he is a member of the technical committee of All Island Dairy Association and a freelance Consultant in Livestock Development.



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.



AMBEWELA

AMBEWELA
FRESH MILK
CREAM



Management Discussion & Analysis

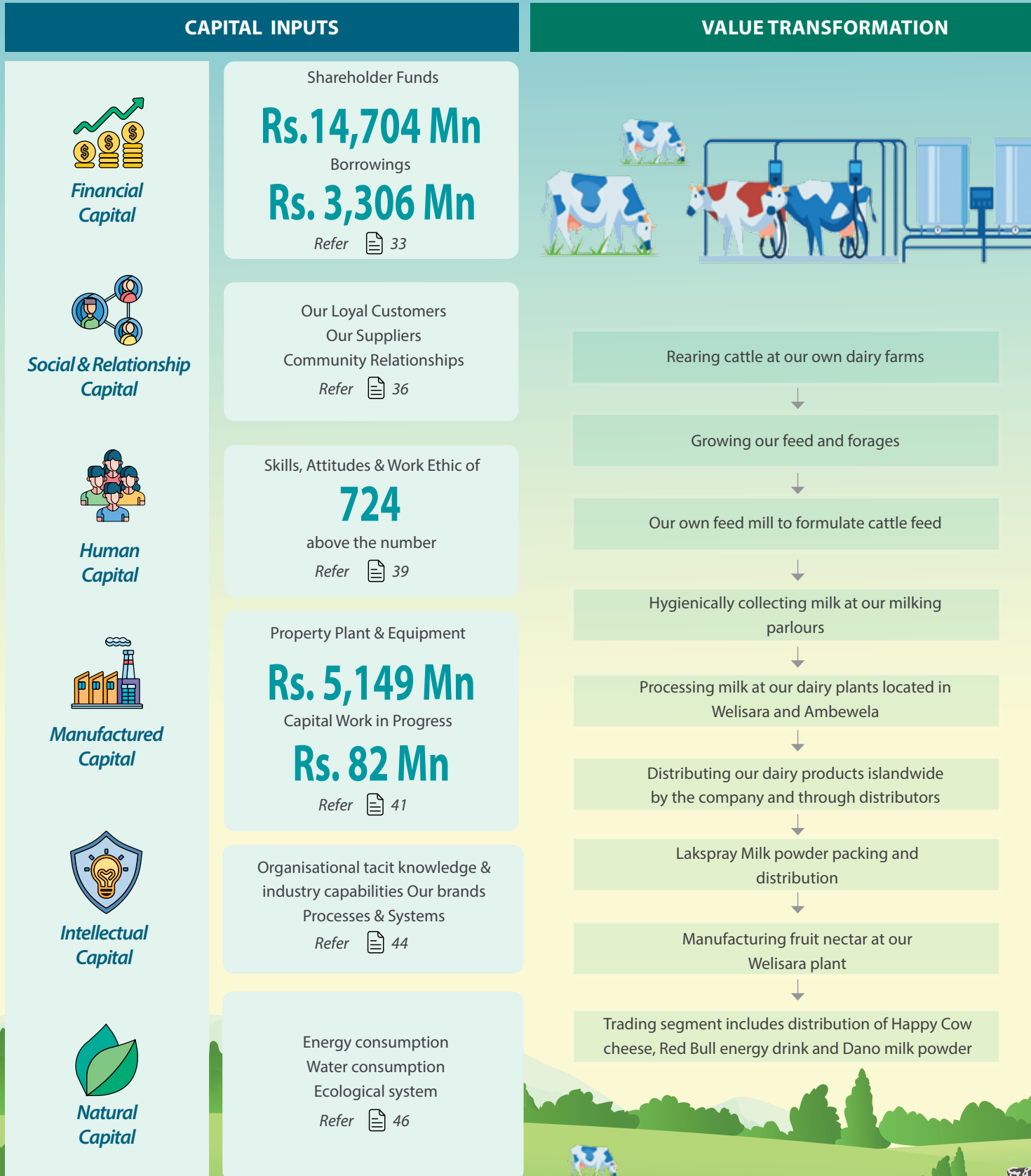
PIONEERING EXCELLENCE



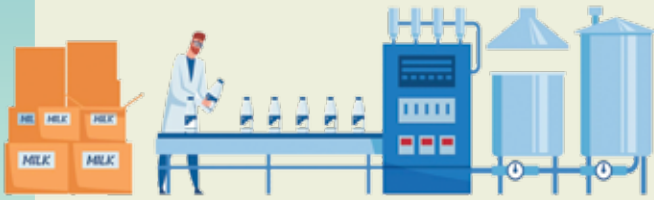
Management Discussion & Analysis

VALUE CREATION MODEL

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



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. 14,172 Mn



Employee benefits

Rs. 1,360 Mn



Quality products to our Consumers

OUTCOMES LINKED TO STAKEHOLDER VALUES

Shareholders

Sustainable growth in shareholder returns
Return on equity

8.09 %

Net profit

Rs.1.19 Bn

Earnings per share

Rs. 29.73

Refer 32



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

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



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 Promise

- 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

SHARED GROWTH THROUGH STAKEHOLDER ENGAGEMENT



Providers of financial capital

Shareholders, as well as financial institutions such as banks, play a crucial role by providing the necessary financial capital for our exponential growth.

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 workforce forms the cornerstone for attaining operational excellence and objectives.

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 organisation

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 stabilise 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 organisation
- 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.

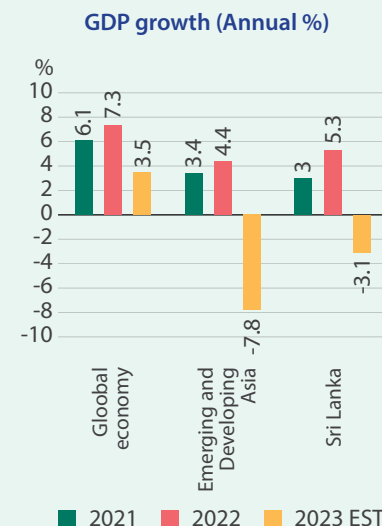
Resources needed to respond

EXTERNAL ENVIRONMENT

Global Environment

The year 2022 witnessed a notable slowdown in the global economy, marked by a growth of 3.4% compared to the robust 6.1% growth achieved in the previous year, 2021. This was primarily due to the rising inflationary pressures experienced worldwide, leading to a widespread cost-of-living crisis, to which Central Banks responded via the implementation of contractionary monetary policies. The global economic activity was further compounded by the Russia-Ukraine conflict and a resurgence of COVID-19 cases in China, thereby amplifying pre-existing adversity prevalent within the global economy.

The first quarter of 2023 exhibited signs of recovery in some regions, supported by factors including increased vaccination rates and government stimulus measures. However, the growth projection for the rest of the year and 2024 remains low, owing to challenges arising from supply chain disruptions and inflationary pressures, which continue to pose risks to the economic outlook (World Economic Forum, Chief Economists Outlook 2023).



Operating Environment

The year 2022 witnessed a notable slowdown in the global economy, marked by a growth of 3.4% compared to the robust 6.1% growth achieved in the previous year, 2021. This was primarily due to the rising inflationary pressures experienced worldwide, leading to a widespread cost-of-living crisis, to which Central Banks responded via the implementation of contractionary monetary policies. The global economic activity was further compounded by the Russia-Ukraine conflict and a resurgence of COVID-19 cases in China, thereby amplifying pre-existing adversity prevalent within the global economy.

Despite the absence of direct pandemic-related disruptions, Sri Lanka encountered various challenges during year under review, encompassing wide-ranging macroeconomic pressures and shortages of fuel and essential commodities. The country's external financing position led to a debt standstill and hindered access to foreign exchange liquidity.

Social unrest and political uncertainty further exacerbated economic turmoil, resulting in balance of payment pressures, high inflation, and subdued economic activity. The Central Bank and Ministry of

Snapshot of the 2022 Socioeconomic Crisis

- Low GDP growth over an extended period
- Rating downgrades and limited access to foreign financing
- High inflation and destabilized inflation expectations
- Expanded monetary financing
- Near-zero level of usable official reserves
- Significant increase in poverty line adjusted for inflation
- Liquidity pressures in domestic and foreign exchange markets
- Shortage of essential goods
- Decreased tax revenue
- Unsustainable public debt
- Rising global food and energy prices
- Power shortages, fuel and gas scarcity
- Increased social unrest and political instability
- Ban on non-organic fertiliser imports
- Decline in tourism and remittance earnings
- Exchange rate misalignment

Source: Central Bank of Sri Lanka, Annual Report 2022

Finance implemented corrective policy measures to stabilise the economy, address fiscal imbalances, and combat unsustainable levels of public debt.

Sri Lankan Dairy Industry

In 2022, the livestock sector of country encountered significant hurdles due to the prevailing economic crisis, with impacts particularly within the dairy industry,. Challenges such as the scarcity and high cost of animal feeds, limited importation of feeds, unavailability of necessary chemical fertilizers for pasture and fodder cultivation, and difficulties in storage and transportation facilities posed a severe impact across the entire dairy value chain.

According to estimates from the Department of Census and Statistics (DCS), total national milk production experienced a year-on-year decline of 1.3%, amounting to 506 million litres in 2022 in comparison to the output of 513 million litres recorded in 2021.

Management Discussion & Analysis

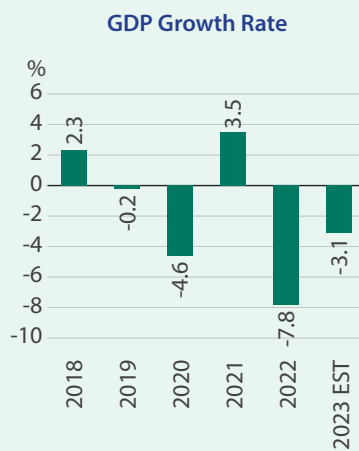
Milk production from cows witnessed a similar downward trend, decreasing by 1.5% to reach 419 million litres. Moreover, there was a notable increase in the average cost of milk production from cows during the same period. Despite these challenges, the increased demand for liquid milk, coupled with shortages in imported and domestic milk powder and a significant rise in milk powder prices, led to relatively higher prices for locally produced liquid milk in both formal and informal milk markets. As a result, the average farm gate price of a litre of cow milk experienced a substantial increase of 17.3%, rising from Rs. 98.00 in 2021 to Rs. 115.00 in 2022. (Central Bank Annual Report, 2022).

Key Macroeconomic Variables that affected the group

GDP Growth

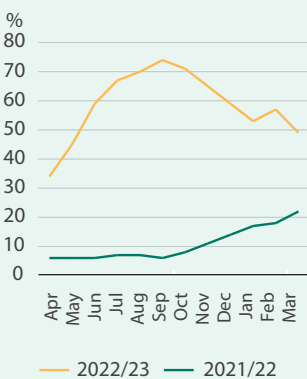
In 2022, the Sri Lankan economy experienced a notable contraction, with a decline of 7.8% in GDP at constant (2015) market prices in contrast to the 3.5% growth recorded in the previous year.

The agriculture sector contracted by 4.6% due to the import ban on chemical fertilisers, supply chain disruptions, and rising raw material costs. The industry sector experienced a significant contraction of 16.0% owing to the adverse impact on construction and manufacturing activities following the cessation of public sector projects, raw material shortages, and increased input costs. Additionally, the services sector recorded a contraction of 2.0% attributed to reduced trade, financial services, and real estate activities. These challenges were further amplified by tighter monetary policies and the energy crisis, which further augmented the economic pressures faced by the nation.



Inflation

Inflation - NCPI Headline year-on-year



Year-on-year headline inflation, as measured by the NCPI, increased to 49.2% in March 2023, compared to 33.8% in April 2022.

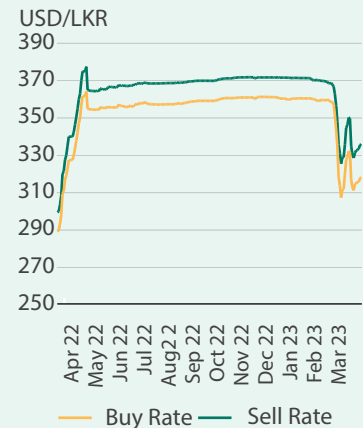
According to the IMF, global inflation increased to 8.8% in 2022 due to various factors such as the monetary and fiscal policy response to the pandemic, commodity shortages, supply chain disruptions, capacity limitations, and the Russia-Ukraine War.

In Sri Lanka, headline and core inflation also saw a significant rise during the year. This was attributed to reduced agricultural production, price hikes in food, energy, and transport sectors, currency depreciation, aggregate demand pressures, and vulnerabilities from global sources. However, inflation gradually slowed down in the second half of the year, as a significant portion of the inflation was driven by a one-off currency adjustment in the early part of the financial year.

Exchange Rate Performance

During the financial year, Sri Lanka experienced a notable trend of increasing foreign currency exchange rates. During the period under review, highest exchange rate recorded for the US Dollar was in May 2022, reaching 377.50 LKR/USD. In contrast, the lowest rate was observed in April 2022, standing at 299.49 LKR/USD. These fluctuations in exchange rates reflect the dynamic nature of the foreign currency market and its impact on the country's economy.

Exchange Rates



A number of factors contributed to the increase in USD TT buying rates in Sri Lanka. Subsequent to the economic crisis, the shortage of foreign exchange created constraints with respect to imports. Furthermore, the Sri Lankan Rupee depreciated significantly against the USD in the recent months, thereby increasing the cost of purchasing USD. The demand for USD further increased in Sri Lanka due to individuals striving to protect their savings against the depreciation of the Sri Lankan Rupee.

As at June 28th, 2023, the middle rate of the USD/LKR spot exchange rate stood at Rs. 308.83.

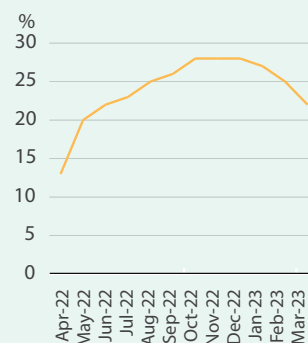
Key Fiscal Policy Measures Implemented during 2022 and early 2023

- The Surcharge Tax Act, No. 14 of 2022, which was enacted on April 8th, 2022, imposes a one-time surcharge tax of 25% on individuals, partnerships, and companies whose taxable income exceeds Rs. 2 billion for the tax assessment year starting from April 1st, 2020, as calculated under the provisions of the Inland Revenue Act, No. 24 of 2017.
- Starting from June 1st, 2022, the Value Added Tax (VAT) rate on the supply of goods and services was raised from 8% to 12%.
- Commencing from September 1st, 2022, the Value Added Tax (VAT) rate on the supply of goods and services increased from 12% to 15%.
- The Social Security Contribution Levy Act, No. 25 of 2022 was implemented on October 1st, 2022. It imposes a 2.5% levy on the turnover of importers, manufacturers, service providers, wholesalers, and retailers with an annual turnover exceeding Rs. 120 million.
- The standard corporate income tax rate has been increased from 24 percent to 30 percent, effective from October 1st, 2022. Additionally, the concessionary rates for corporate income tax have been eliminated, also effective from October 1st, 2022.
- Removal of the expenditure relief of Rs. 1.2 million per annum in the calculation of taxable income for personal income tax.
- The tax rates range for personal income tax was revised from 6 percent - 18 percent to 6 percent - 36 percent.
- Employers are now mandated to deduct Advance Personal Income Tax (APIT) from employees, regardless of their consent, starting from January 1st, 2023.

Domestic Interest Rates

During the year 2022, the Central Bank of Sri Lanka (CBSL) adopted a contractionary monetary policy stance to address rising inflation, external sector vulnerabilities, and the risk of a prolonged economic downturn. This was reflected in the increase of the Average Weighted Prime Lending Rate (AWPLR) from 9.85% in first week of April 2022 to 23.45% in first week of March 2023 and 21.40% during the week ended 31st March 2023.

Average Weighted Prime Lending Rate (Monthly average)



The CBSL's objective was to tighten monetary conditions and curb inflationary pressures in order to maintain stability and promote sustainable economic growth.

Sri Lanka witnessed a rise in interest rates, particularly in the first half of the year, due to factors such as uncertainty in domestic debt restructuring and liquidity shortages. The Central Bank of Sri Lanka responded by increasing the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 basis points in April 2022, followed by additional adjustments in July 2022 and March 2023 to align with the IMF's Extended Fund Facility (EFF) arrangement. The Statutory Reserve Ratio remained unchanged at 4% throughout the year. Regulatory measures were additionally implemented to tighten monetary conditions, such as removing maximum interest rates on certain lending products and foreign currency deposits, contributing to inflation containment. Towards the end of the fiscal year, improved liquidity was observed as government debt financing requirements decreased.

Impact to our operations

We encountered supply chain challenges due to import restrictions and the exchange crisis that prevailed during the year under review. Despite these obstacles, we have effectively managed to meet our requirements. However, a notable impact was observed as there was a significant increase in the cost of input materials, particularly in animal feeds, veterinary drugs, and other raw and packing materials. This increase in input costs added further pressure to the industry, requiring careful management and adaptation to ensure the continued operation and fulfillment of market demands.

Management Discussion & Analysis



Financial Capital

Generating financial returns and growth for our providers of capital

The Group's unwavering focus lies in optimising cost management, proactively managing working capital, and fostering strategic agility. These endeavours aim to nurture the Group's profitability and ensure the preservation of its financial capital while maximising shareholder value.

Our dedication to sustainable operations drives the delivery of consistent financial returns in both the short and long term, empowering us to cultivate resilience and extend positive contributions to our stakeholders and the broader society.

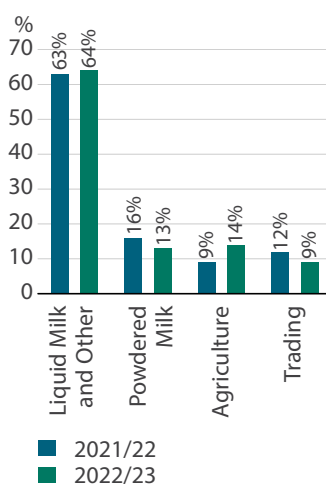
Highlights

The LMF Group achieved an unparalleled consolidated revenue of Rs. 14,172 million for the reporting year against Rs. 9,772 million in the previous year. The achievement indicates the management's proactive stance in adapting strategies to tackle challenges in the operating environment. The Group recorded a net profit of Rs. 1,189 million after tax, and Rs. 199.99 million was paid as an interim dividend for the financial year.

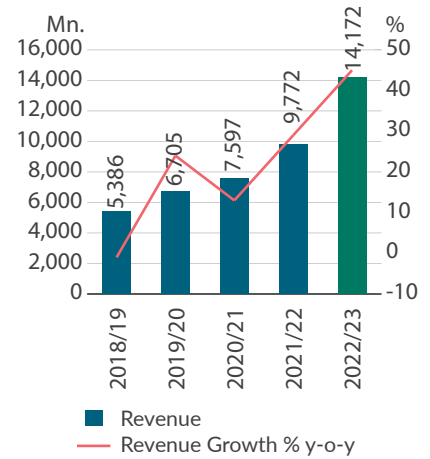
Revenue

The LMF Group achieved a consolidated revenue growth of 45% to Rs. 14,172 million for the year under review, supported by the liquid milk and agriculture segments. Growth in the liquid milk segment replicated the increased volume growth in the Ambewela market share as well as the Maximum Retail Price (MRP) adjustments Group was compelled to adopt. Accordingly, the liquid milk sector's contribution to Group revenue increased by Rs. 4,028 million. At the same time, the redistribution of Happy Cow cheese and the Red Bull energy drink enhanced revenue by Rs. 270 million.

Group Revenue Composition

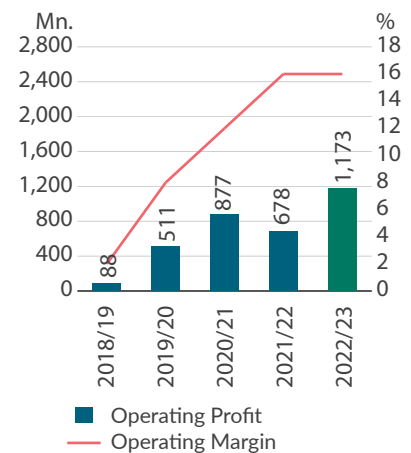


Revenue Growth



Operating Profit

Movements in Operating Profit



RS. 14,172 MN
Revenue

RS. 1,173 MN
Profit from Operations

RS. 1,189 MN
Profit After Tax

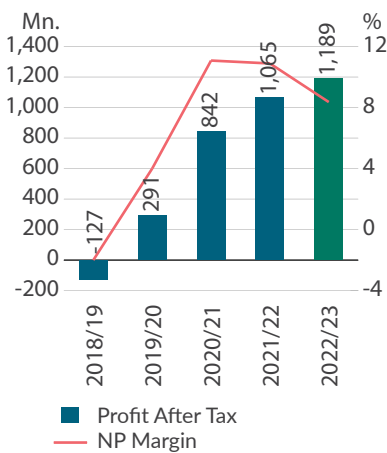
RS. 199.99 MN
Dividend Paid

The consolidated gross profit for the reporting year increased to Rs. 1,779 million, while the gross profit margin recorded a decrease compared to the previous year. The Group performed well at an operating profit level, recording a growth of Rs. 495 million to Rs. 1,173 million. The milk powder sector and trading sector recorded positive results and served as the main contributors to growth in operating profits. Despite the price adjustments, the liquid milk and other sectors' operating profits decreased compared to the prior year.

Profit After Tax

The Group's net finance income decreased to Rs. 89 million (2021/22: Rs. 420 million) due to the increased finance expenses during the year. The interest on long-term borrowings and overdrafts increased to Rs. 1,054 million. The improved performance enabled the Group to record a pre-tax profit of Rs. 1,262 million, thereby achieving a 15% growth compared to last year. The Group's total annual tax amounted to Rs. 73 million, stemming from the increased income tax rates. Resultantly, the bottom-line consolidated profit after tax improved by 11.7% to Rs. 1,189 million during the year.

Movements in Profit After Tax

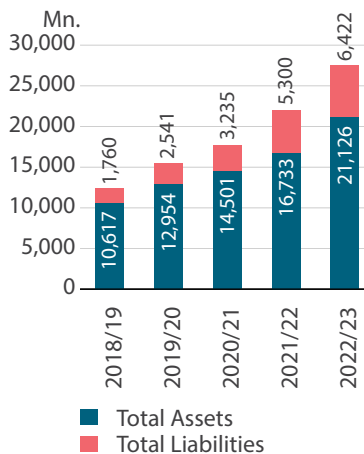


Group Assets and Asset Composition

The Group continues to record consistent asset growth reflecting the ongoing investment in PPE and other investments. The Group's total assets as at 31st March 2023 reported an increase of 26% to reach Rs. 21 billion, with the agriculture segment recording a growth of 50% in assets. Total capital expenditure for the year amounted to Rs. 4,414 million, mainly comprising investments in the new dairy farm.

The Group's asset composition remained relatively unchanged, with non-current assets accounting for 80% of total assets as of the end of 31st March 2023.

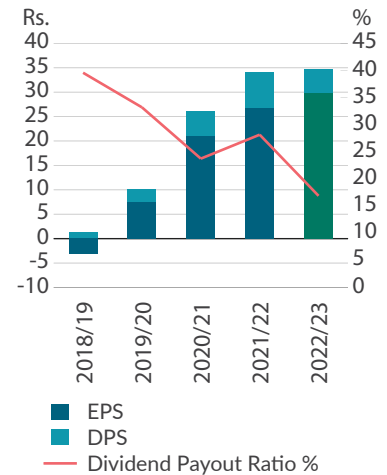
Asset Strength



Funding Profile

The total borrowings demonstrated an increase of 55% to Rs. 3,306 million (2021/22: Rs.2,129 million), Debt-funded capacity expansions in recent years have led to increased exposure to borrowings. The total equity amounted to Rs. 14.7 billion (2021/22: Rs. 11.4 million), accounting for 70% of the total assets.

Shareholder Returns



Despite the turbulent operating environment, the Group's Earnings per Share displayed an 12 % increase, rising to Rs. 29.73 compared to Rs. 26.63 in the preceding year. During the year, the Company distributed a first interim dividend of Rs. 5.00 per share, resulting in a total dividend payout of Rs. 199.99 million.

LMF's shares traded between the lowest price of Rs. 90.00 and the highest price of Rs. 175.00. The last traded price on 31st March 2023 was Rs. 140.75.

Management Discussion & Analysis

Company Wise Performance 2022/23

Lanka Milk Foods (CWE) PLC

Lanka Milk Foods (CWE) PLC Revenue and Profit

Year	Revenue	Profit From Operations	Profit After Tax
2020/21	3,101	270	293
2021/22	3,424	-249	467
2022/23	4,072	523	1,521

Lanka Milk Foods (CWE) PLC (LMF) operates within the food and beverages sector, with a primary focus on importing, packaging, marketing, and distributing full cream milk powder. In the past year, LMF's powdered milk segment together with trading segment achieved an impressive growth, with profit margins rising from Rs. 467 million to Rs. 1,521 million and a notable revenue increase of 19%.

Ambewela Products (Private) Limited

Ambewela Products (Pvt) Ltd Revenue and Profit

Year	Revenue	Profit From Operations	Profit After Tax
2020/21	2,183	350	306
2021/22	2,793	311	336
2022/23	4,195	194	41

In the fiscal year that ended on March 31, 2023, APL achieved a significant increase in revenue with the MRP increase in Ambewela Yoghurt, reaching Rs. 4,195 million compared to the previous year's Rs. 2,793 million. However, the company's net profits experienced a decline from the previous year's Rs. 336 million to Rs. 41 million. This drop in profit is primarily attributable to the various challenges faced by the company, particularly in regard to the substantial 237% rise in the cost of feed and the increase in the cost of fuel, raw materials and packaging material in yoghurt production.

Despite the constraints, the Ambewela cheese and butter segments displayed improved results primarily due to their reputation for a rich and exquisite taste, contributing to their resilience during challenging times. Looking ahead, the Group aims to enhance its product offerings in the future further.

Ambewela Products (Private) Limited (APL) was established in the year 2006 and has fast become renowned among the public for its diverse range of dairy products, including Ambewela Set Yoghurt 80 ml, Ambewela flavoured and fresh milk pouch packs, Ambewela cheese, ghee, butter, and frozen fat. Additionally, APL operates a feed mill to produce feed for their dairy farms while supplying fresh milk to Lanka Dairies (Pvt) Ltd.



Lanka Dairies (Pvt) Ltd

Lanka Dairies (Pvt) Ltd Revenue and Profit

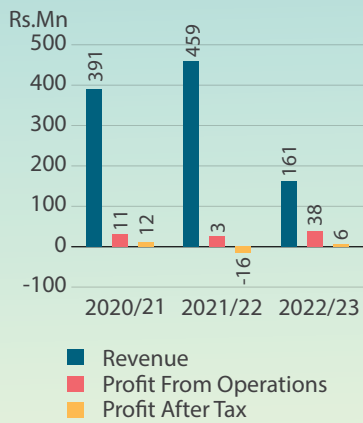
Year	Revenue	Profit From Operations	Profit After Tax
2020/21	3,152	332	364
2021/22	4,979	621	528
2022/23	7,605	561	405

Founded in 1996 as a wholly owned subsidiary of LMF, Lanka Dairies (Pvt) Ltd (LDL) specialises in producing and packaging fresh milk, flavoured milk, and fruit juices, utilising Tetra Pak® technology.

During the financial year that concluded on March 31, 2023, Lanka Dairies (Pvt) Ltd experienced outstanding growth with respect to its revenue performance, reaching Rs. 7.6 billion compared to the previous year's Rs. 4.98 billion. As a prominent market leader in fresh milk and renowned in Sri Lanka, Ambewela Fresh Milk 1 Litre Pack contributed significantly towards the surge in sales. LDL's profit for the year amounted to Rs. 405 million, marking a decrease from the Rs. 528 million profits earned in the preceding year, driven by higher expenses for raw and packing materials and increased fuel costs.

Ambewela Livestock Company Limited and Pattipola Livestock Company Limited

Ambewela Livestock Company Limited Revenue and Profit



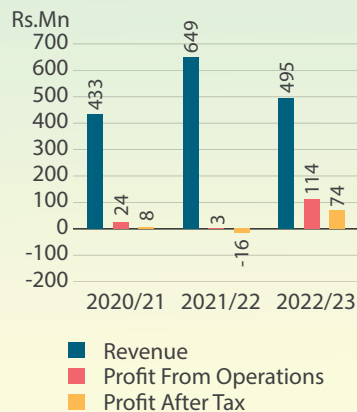
At Ambewela Dairy Farm and Pattipola Dairy Farm (New Zealand Farm), we maintain the highest standards of hygiene to ensure the production of top-quality milk. During the financial year, we shifted milk production to the United Dairies Farm, developing the Ambewela and Pattipola farms into efficient heifer-rearing units.

Maintaining the health and well-being of our herd is of utmost importance to ensure we sustain our high milk rate of production. In order to achieve this objective, we supply the herd with premium-quality cattle feed, which incurred a significant expense during the period under review due to the scarcity of certain feed ingredients and fluctuations in foreign exchange rates. As a result, the feed costs across all farms spiked significantly during the year. However, proficient management processes and strategies at each farm and implementing cost-reduction strategies have positioned us to remain steadfast and effectively tackle future challenges.

The Ambewela Livestock Company and Pattipola Livestock Company witnessed declines in revenue compared to the preceding year,

reaching performances of Rs. 161 million and Rs. 495 million, respectively. These results were primarily due to the shift in milk production to United Dairies Lanka Company (Private) Limited. Despite the decline in performance exhibited during the year, we remain committed to maintaining the highest standards and strive towards excellence in milk production across all our farms.

Pattipola Livestock Company Limited Revenue and Profit



Pattipola Livestock Company Ltd, also known as New Zealand Farm, is a popular tourist destination, attracting over 10,000 visitors daily during peak seasons. Its renowned Ambewela Gouda Cheese and Ambewela Cottage Cheese are made from milk originating from the farm and have gained popularity among both locals and foreign visitors. Additionally, the meticulously maintained dairy farms offer valuable educational opportunities for agricultural and veterinary students from various universities, providing hands-on experiences in the dairy industry and agricultural practices. The farm takes pride in its dual role as a tourist attraction and a contributor towards educational development in the field.

United Dairies Lanka (Private) Limited

United Dairies Lanka (Pvt) Ltd was strategically developed to expand our herd and meet the anticipated surge in fresh milk demand, leading to a total investment of Rs. 4.8 billion. This ambitious venture includes cutting-edge cattle sheds and state-of-the-art milking parlours at both the Ambewela Farm and Pattipola Farm locations. By prioritising the cows' comfort, employing advanced dairy management techniques, offering premium feed, and ensuring specialised veterinary care, the company aims to boost its milk output by up to 32 litres per cow per day. The dairy farms primarily raise black and white Friesians and brown and white Ayrshires, European breeds renowned for their exceptional milk production, averaging approximately 30 litres per cow per day in Sri Lanka.

Qualified veterinary surgeons currently reside on farms to ensure round-the-clock veterinary care. This ambitious project is poised to significantly contribute to the nation's milk industry while generating substantial profits. Moreover, it is expected to substantially reduce the country's reliance on importing powdered milk with the production of high-quality, locally sourced milk. Pattipola farm extension of UDL is open for visitors of New Zealand Farm to provide a tour of our modern milking parlour and premises.

During the year under review, the company achieved a total revenue of Rs. 2 billion. However, the significant increase in feed costs and interest costs resulted in the company incurring a loss of Rs. 819 million.

Indo Lanka Exports (Private) Limited

Indo Lanka Exports (Private) Limited was founded in 2009. At present, the company is inactive.

Management Discussion & Analysis



Social & Relationship Capital

Transforming lives, providing employment opportunities and supply chain



Fostering Meaningful Connections

At Lanka Milk Foods, we consistently seek to nurture strong and meaningful relationships with our customers, suppliers, and the wider community. These partnerships form the bedrock of our social and relationship capital, playing a vital role in our success as a people-centric organisation. We understand that our achievements extend beyond our products and operations and are deeply intertwined with the bonds we cultivate with those around us.

Our suppliers play a pivotal role in our supply chain, and we therefore foster collaborative partnerships based on mutual respect, transparency, and shared goals. Working hand in hand with our suppliers, we ensure a reliable and sustainable flow of high-quality ingredients and materials, which in turn enable us to deliver excellence across our wide-ranging product portfolio. Together, we strive for growth, innovation, and shared success, in order to strengthen the foundation of our supply ecosystem.

Beyond our immediate stakeholders, we recognise the significance of actively engaging with the wider community. We embrace our responsibility as a socially responsible brand by supporting local initiatives, championing sustainable practices, and investing in community development programmes, with the overarching purpose of creating a positive and lasting impact on the lives of the people we serve. By actively contributing to the well-being of our community, we build stronger bonds and create a brighter future, together.

At Lanka Milk Foods, we firmly believe that our social and relationship capital is integral to our identity and long-term prosperity. We are committed to fostering genuine partnerships that drive our performance, maintain our reputation as a socially responsible brand, and create shared value for all. By embracing the power of human connection, we continue to build a sustainable and thriving ecosystem that benefits our customers, suppliers, and the communities we serve.

Enhancing Customer Engagement: Delivering Quality and Responsibility

Relevant SDGs:



At Lanka Milk Foods, we deeply value our customers and therefore consistently engage with them to gain valuable insights into their needs and preferences and obtain feedback in order to identify any causes for concern, and take any corrective action where required. Through these interactions, we continually enhance our products and services to not only meet but exceed customer expectations across the entirety of our operations. By prioritising personalised experiences, fostering open lines of communication, and upholding a steadfast commitment to quality, we cultivate enduring trust and loyalty with our esteemed customer base.

Quality and product responsibility lie at the forefront of our customer-centric approach. We understand that our customers expect nothing less than the finest quality in terms of the products they consume, and in this respect we remain dedicated towards meeting and surpassing industry best practices and standards. Equipped with our state-of-the-art modern manufacturing facilities, we possess the requisite capability to produce goods that adhere to the highest quality benchmarks, on par with world-class dairy standards and practices. Our stringent quality control processes and comprehensive quality management system are aligned with industry guidelines and certified under the ISO 22000 Food Safety Management System since 2018.

By integrating quality and responsibility into every aspect of our operations, we ensure that our customers receive products of exceptional quality, safety,

and sustainability. We continuously strive to improve our manufacturing processes, embracing the latest advancements and innovations in the industry to maintain the highest standards of excellence. Through our unwavering commitment to quality, we not only meet regulatory requirements but also venture above and beyond pre-existing standards to safeguard the well-being of our customers.

Lanka Milk Foods prioritises customer satisfaction by actively listening to feedback, fostering strong relationships, and delivering exceptional quality and responsibility. Our goal is to exceed customer expectations and become the trusted choice for premium dairy products.

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

Nurturing Quality and Responsibility

We continue to focus on maintaining responsible packaging and labelling in accordance with relevant regulations and consumer protection laws. Our dedicated Quality Assurance Division ensures comprehensive control over product quality, while upholding high standards in environmental, hygiene, and

sanitation practices. To maintain hygiene and cleanliness, we manage our own laundry, water purification, and janitorial services. Our farms adhere to international cattle rearing practices, specifically with respect to our Ayrshire and Friesian cows, which are renowned for their high milk production capabilities.

Professional agriculturalists and veterinarians closely monitor all aspects of our herds, commencing from their health to their nutrition in order to ensure their ongoing welfare. Our packaging facilities are equipped with state-of-the-art systems to ensure optimal hygiene levels. Furthermore, we take pride in manufacturing products that promote health and wellness, by offering low-fat options to cater to the needs of health-conscious consumers. By encouraging the right choices within the general public, we aim to combat the rising prevalence of non-communicable diseases and guide future generations towards a path of better nutrition and well-being.

Building Sustainable Partnerships: Responsible Supplier Management



As we continue to enhance our commitment to responsible sourcing, our suppliers play a crucial role in our journey towards delivering goods that meet the highest standards. We employ a rigorous supplier screening process to ensure the procurement of top-quality raw materials at competitive prices. Beyond quality, we also evaluate our suppliers' social and environmental practices, holding them accountable to industry best practices.

To foster long-term partnerships, we conduct regular site visits and maintain open lines of communication with our suppliers. This proactive engagement

ensures business stability, fosters sustainable supply chain management, and allows us to achieve our goals in an ethical and equitable manner. Together with our suppliers, we strive to uphold our commitment to sustainability and excellence throughout our supply chain.

Building Sustainable Communities: Empowering Lives and Fostering Growth



Embracing the belief that a sustainable community thrives via the harmonious balance of a healthy environment, a thriving economy, and a vibrant civic life, we are committed to operating in a manner that uplifts and empowers the local communities that surround us. Recognising our role as a responsible entity, we engage closely with community members, supporting their religious, cultural, and social activities, and cultivating long-term relationships.

With a focus on youth education and development, we have opened our doors to educate and inspire the next generation on the importance of nutrition and well-being. Through educational tours and structured programmes, students from schools and higher education institutions gain first-hand knowledge of our manufacturing processes, while supporting the government's drive towards national self-sufficiency in dairy production.

However, our commitment to community engagement extends beyond education and awareness building. As a socially responsible entity, we further strive to contribute towards social, health, and educational causes, with the aim of improving the living standards of those residing near our factories. Furthermore, our farms serve as agricultural and

Management Discussion & Analysis

dairy universities, providing students with practical insights into farming and supporting their studies in agriculture.

As we continue to evolve our community engagement processes, we take pride in our reputation as an organisation that delivers value and service to all segments of society. Through our continuous contributions and commitment to social responsibility, we aim to create an enduring positive transformation within our sphere of influence, and foster sustainable growth within our communities.



Driving Positive Change: Our Commitment to Community and CSR Practices

<p>Promoting Unity and Inclusivity</p>  <p>The Company promotes cultural diversity and community engagement by organising events that unite people from different backgrounds. As part of our commitment to inclusivity, we distribute free milk to devotees of all faiths during religious occasions at various places of worship, fostering unity and respect in the local community.</p>	<p>Nourishing Young Lives</p>  <p>The Company has continued its long-standing commitment to promoting the health and well-being of underprivileged schoolchildren by providing them with nutritious milk and milk-based products. This practice has positively impacted generations of students, ensuring they receive the essential nourishment they need for their growth and development.</p>	<p>Promoting school trips</p>  <p>The Company currently provides complimentary refreshments and nourishment to residents of welfare homes for the aged and underprivileged, making generous donations of milk powder rations. Moreover, we offer underprivileged children the opportunity to visit our farms free of charge, enabling them to gain firsthand experience and knowledge on dairy farming.</p>	<p>Supporting the underprivileged</p>  <p>The Company provides free refreshments and nourishment to residents of welfare homes for the aged and underprivileged, generously donating rations of milk powder. Additionally, underprivileged children are granted free entrance facilities for farm visits, allowing them to experience and learn about dairy farming first-hand.</p>
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Human Capital

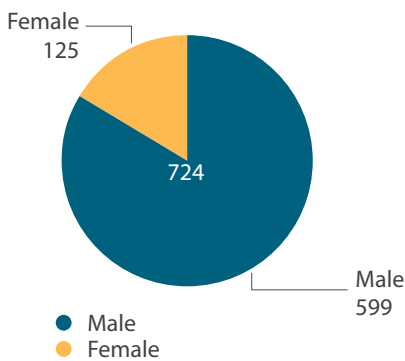
Securing employment, providing benefits to our employees



At Lanka Milk Foods, we are dedicated to create a positive work culture that prioritises job satisfaction and fosters continuous improvement. Our employees lie at the heart of our success, driving us towards reaching our goals and objectives. We take pride in our commitment to diversity and providing equal opportunities to every employee. Through our structured incentive system and promotions, we recognise and honour the achievements of our employees, and deeply appreciate the unwavering dedication and loyalty of our team extended towards fulfilling our mission.

	2023		2022	
	Male	Female	Male	Female
Executives	89	7	77	6
Non-Executives	405	69	377	74
Casual/Check Roll	105	49	166	41
	599	125	620	121
Total	724		741	

Gender Distribution in Workforce



As at March 2023, our total workforce comprised 724 individuals, of which 10% are employed on a contract basis. Currently, the Group maintains 19% female representation in our workforce. The majority of our employees are engaged in factory and farm work, resulting in a gender ratio of approximately 4:1 (male: female), attributable to the labour-intensive nature of these roles in our farmlands and factory operations.

Building a Skilled Workforce

At Lanka Milk Foods, we have in place a rigorous recruitment process to attract experts and skilled workers from various sectors. We prioritise local recruitment, providing opportunities for youth in nearby farm and manufacturing areas, especially those entering the workforce. Through specialised training programmes, we equip our young workforce with the necessary skills to succeed in permanent positions within the company. Our goal is to nurture the next generation and prepare them for the professional world by offering clear objectives, industry knowledge, and access to cutting-edge facilities.

Employee Well-being

At Lanka Milk Foods, we prioritise compliance with labour regulations to ensure a dedicated workforce. Cleanliness and hygiene are an imperative, and employees are expected to maintain workplace standards for productivity and orderliness. Our

Employee Well-being and Benefits

- Compliance with labour regulations, ensuring a committed workforce
- Emphasis on cleanliness, productivity, and orderly work environment
- Implementation of occupational health and safety procedures to ensure accident-free workplace
- Provision of insurance and accident coverage for all employees
- Fair treatment and welfare of female employees
- Adherence to industry-standard safety procedures for employee meals and cleanliness
- Promotion of employee well-being through indoor recreational activities and support for external recreational pursuits

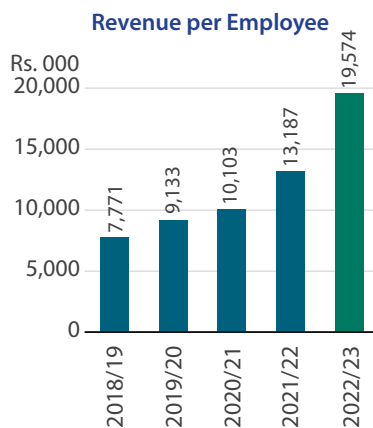
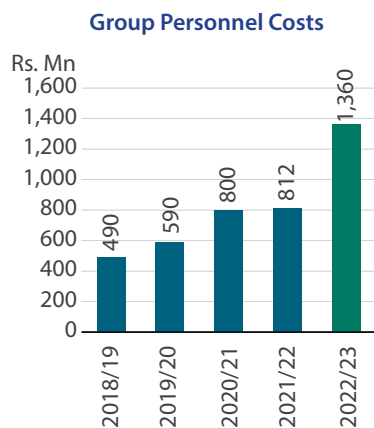
employee guidelines promote equal and attainable health and hygiene standards.

We have implemented occupational health and safety procedures across all locations to maintain a year-round accident-free work environment. Precautionary measures are in place to minimise workplace hazards. Additionally, we provide comprehensive insurance and accident coverage to all employees in accordance with labour standards.

We uphold labour regulations and prioritise the well-being of our female employees in our factories and farms. Fair treatment and welfare supervision are integral to our practices. We adhere to industry-standard safety protocols for employee meals and cleanliness.

Encouraging healthy lifestyles among our employees is of vital importance in order to drive a productive and content workforce. We therefore support mental and physical well-being through indoor recreational activities, and offer funding for external recreational pursuits.

Management Discussion & Analysis



Employees enjoy extensive healthcare benefits, including a subsidised nutritious lunch and access to company products. Additionally, they are rewarded with cash incentives that surpass industry standards, such as monthly sales incentives and attendance bonuses. Additional benefits include leave encashment, ex gratia payments, and significant holiday bonuses. The company further fosters a harmonious work environment by providing regular leisure and recreational opportunities, and nurturing camaraderie among team members.

Excerpt from Note 8.1 to the Financial Statements - Personnel Costs

Personnel Costs	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Defined Contribution Plan Costs -EPF and ETF	68,725	54,122	29,585	29,221
Defined Benefit Plan Cost - Retirement Benefit Obligation	42,054	19,341	15,879	10,379
Other Staff Costs	1,248,809	738,576	386,306	352,513
	1,359,588	812,039	431,770	392,113
Total Numbers of Employees as at Year End	724	741	225	234
Average cost per employee	1,878	1,096	1,919	1,676

Employee Engagement

Lanka Milk Foods places a strong emphasis on employee engagement and motivation. The company positively impacts the surrounding communities by providing the local youth with opportunities for employment, growth and progress within a reputed organisation, thereby reducing the need for migration to urban areas. The Group values its personnel, many of whom hail from rural towns and villages, and offers a comprehensive range of employee benefits that promote work-life balance and foster a sense of peace and cooperation among the staff.



Work Culture

We emphasise the importance of continuous learning and skill development, and provide various training opportunities to ensure employee competencies and abilities are enhanced, in order to enable career advancement and opportunities for growth. The Group is dedicated to investing in technical, sales, and marketing training programmes, while fostering a culture of mentorship led by our experienced senior management team.

Workplace Health and Safety

Across its operations, the Group prioritises employee safety and well-being, aiming to foster a hazard-free workplace that is free from incidents and injuries. Particularly owing to the Group's machinery and laboratory-based operations, worker health and safety are of paramount importance, and comprehensive measures are in place to prevent accidents and mitigate risks. Employees are trained on safety protocols and provided with necessary safety gear to ensure compliance with high levels of cleanliness and safety standards. Maintaining cleanliness is a top priority at all operational levels, thereby ensuring the quality and safety of our products.



Manufactured Capital

Enhancing our capabilities through improved infrastructure

Relevant SDGs:



Lanka Milk Foods manufactured capital comprises its physical resources, which include property, plant and equipment. The Group leverages the efficient utilisation of its manufactured capital to maintain its leadership position in terms of innovation and adaptability. This strategic approach enables us to accelerate the introduction of new products to the market. The capabilities and capacity developed through our manufactured capital, and reinforced by advanced technologies, enhance the consumption of resources, thereby leading to improved efficiency and sustainability.

Furthermore, our contribution towards national infrastructure and economic growth expands in line with the development of our manufactured capital. With each passing year, we make significant strides towards achieving our

goal of national milk production self-sufficiency. By fostering value-sharing initiatives within communities, we drive national growth and solidify our position in the domestic market. Through these efforts, we are actively shaping a sustainable and prosperous future for the dairy industry and the entire nation.

The valuation of our manufactured capital at the conclusion of the reviewed

Our contribution towards national infrastructure and economic growth expands in line with the development of our manufactured capital

financial year ended 31 March 2023 reflects the significant investments made with the sole purpose of building our physical resource base in order to meet emerging consumer needs and deliver an unmatched value proposition to our stakeholders. Our efforts in this regard include investments into state-of-the-art production facilities, advanced machinery, and cutting-edge technologies that enable us to maintain our position as a leader in the industry. The continuous expansion and improvement of our manufactured capital have not only bolstered our operational efficiency but have also contributed towards the overall growth and development of the dairy sector, thereby fostering economic progress and sustainability.

	Gross Carrying Value As at 31st March 2023 (Rs. 000)	Net Carrying Value As at 31st March 2023 (Rs. 000)
Leasehold Buildings	4,589,736	4,006,202
Plant and Machinery	3,107,494	1,050,717
Equipment, Furniture and Fittings	334,252	44,877
Other Assets	413,585	47,005
	8,445,067	5,148,801
Capital Work in Progress		81,933
		5,230,734

Management Discussion & Analysis



For detailed information on leasehold properties as of March 31, 2023, please refer to Note 12.1 in the Financial Statements on Property, Plant, and Equipment, which provides comprehensive details on the specific leasehold properties held by the company, including their valuation and any relevant disclosures. This detailed overview of the company's leasehold property portfolio serves as a valuable resource for further understanding our assets and their contribution towards the overall financial position of the organisation.

Location	Extent (Hectares)	Building (Square feet)	No of Buildings	Cost of the Building
Welisara	3.275	140,800	3	434,416
Ambewela	458.47		139	488,757
				923,173

Enhancing Dairy Farm Capacities: United Dairies Lanka's Expansion

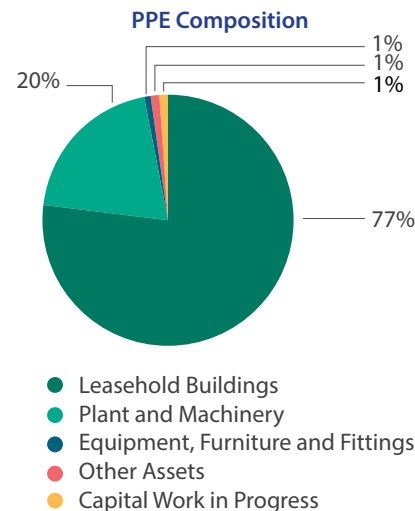
United Dairies Lanka (Pvt) Ltd was meticulously constructed with the foresight of meeting the growing demand for fresh milk and surpassing a total investment of Rs. 4.8 billion. This remarkable venture encompasses two state-of-the-art cattle sheds and cutting-edge milking parlours at both the Ambewela Farm and Pattipola Farm locations.

To ensure the utmost comfort for our herd, we have implemented cutting-edge dairy management techniques, provided premium feed, and delivered specialised veterinary care. These measures are designed to maximise milk output, targeting a capacity enhancement of up to 35 litres per cow per day. The Ambewela cattle farm successfully

commenced commercial operations in April 2022, while the Pattipola farm became operational in September 2022, as per the revised plan.

Pioneering Sustainable Packaging for a Fresh and Wholesome Dairy Supply

The Group continues to uphold its commitment to deliver safe, hygienic and wholesome food items to the health-focused customer, by working closely with Tetra Pak®, the world's leading food processing and packaging solutions company. We are pleased to hold the distinction of being the first UHT manufacturer in Sri Lanka to implement this world-renowned technology.



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% of the weight of a Tetra Pak® carton is made up of paperboard, which is in turn formulated using wood. In order to produce paperboard, all wood fibre is obtained from forests that have been independently verified to adhere to sustainable forest management principles.

President on an observation tour of the Ambewela Farm



Management Discussion & Analysis



Intellectual Capital

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

Relevant SDGs:



The intellectual capital of an organisation plays a crucial role in driving revenue and maintaining a competitive advantage. At Lanka Milk Foods, we recognise the value of our collective understanding and unmatched expertise, which is derived from our systems, processes, and knowledge. Our intellectual capital is instrumental in shaping our unique positioning and capabilities. Therefore, as

a forward-thinking organisation, we are committed to continuously enhancing and expanding our intellectual capital.

LMF's investments to enhance its intellectual capital span areas including research and development, innovation, human resources, and external partnerships, and are key towards gaining an edge in an intensely competitive market. It fosters a strong relationship between the company and its stakeholders and contributes towards sustainable growth and the creation of long-term shareholder value through the strategic alignment of resources.

Our intellectual capital is instrumental in shaping our unique positioning and capabilities.

Trusted Brands:

Delivering Excellence and Value

Harnessing Knowledge & Expertise:

Advancing through Experience and Talent

Innovation and Technological Advancement:

Driving Excellence in Dairy Manufacturing

Trusted Brands: Delivering Excellence and Value





Our Group's renowned brands are the cornerstone of our business, enabling us to provide a unique value proposition, while establishing a solid reputation for trust and quality among our customers and the general public. With a rich history spanning over 50 years, our well-known brands such as Lakspray and Ambewela have captured the hearts of consumers across the island, offering a diverse range of flavourful and wholesome products.

By leveraging the strength of our trusted brands, we continue to drive growth and create value, supported by our strategic marketing efforts and a commitment to customer satisfaction. Our recent pack design revamp reflects our dedication towards meeting evolving customer preferences and delivering a compelling product portfolio representing quality and wholesome goodness.

In addition to our successful offerings in flavoured milk under Daily and Ambewela brands and the popular Ambewela set yogurt and My Juicee fruit drinks, we have expanded our product range with the introduction of Dano instant milk powder and the distribution of Happy Cow cheese. These additions serve to further diversify our portfolio and cater to a wide range of

consumer needs amid a rapidly evolving market.

As we move forward, our trusted brands will remain at the core of our business strategy, driving innovation, customer loyalty, and continued success.

Harnessing Knowledge & Expertise: Advancing through Experience and Talent

As a pioneer in the local dairy industry, our industry-specific experience and knowledge span over 50 years. To safeguard the quality of our products, we recognise the utmost importance of livestock management and their well-being. In view of this, our dairy companies have taken proactive measures by enlisting the expertise of a specialised nutritionist. Through their efforts, we develop the highest standards in nutritional feed additives for our cattle. A dedicated team of resident veterinary surgeons provide constant care and ensure the availability of veterinary services at every stage.

This unwavering commitment to knowledge, expertise, and the welfare of our livestock drives our continuous pursuit of excellence in delivering high-quality dairy products to our valued customers.

Innovation and Technological Advancement: Driving Excellence in Dairy Manufacturing

Lanka Milk Foods embraces innovation and technological advancement as key drivers of our success. In a bid to remain at the forefront of the industry and meet evolving consumer preferences, each of our plants features a dedicated Research and Development (R&D) unit equipped with state-of-the-art laboratory facilities. Our highly skilled personnel work diligently to maintain the highest standards of quality, hygiene, and safety.

At our manufacturing locations in Welisara and Ambewela, we have invested in sophisticated manufacturing technology and the latest machinery to meet the demands of our UHT packaging requirements. Additionally, our new dairy project incorporates cutting-edge dairy technology, including modern cattle sheds with environmental control systems to enhance the comfort and health of our herd, as well as automated slurry removal and floor cleaning systems.

We have implemented digitally controlled milking parlours that accurately record each cow's milk quantity and identify any health issues such as mastitis or early lactation. This enables us to divert and collect milk separately, ensuring the highest quality standards are maintained. Our slurry processing system efficiently separates the dry matter, which is then utilised as bio-fertilizer for the liquid dispersed over the farm fields. This mechanism ensures principles of sustainability are entrenched into our operations.

As a Group, we are committed to delivering the best to our loyal customers by incorporating technology and innovation in a sustainable manner. We understand the importance of remaining relevant and progressive in an ever-changing market, and our investment in R&D and advanced manufacturing processes reflects our dedication to providing high-quality dairy products aligned with the needs of the present and the future.

Management Discussion & Analysis



Natural Capital

Safeguarding the natural ecosystem

Relevant SDGs:



As a company rooted in natural goodness, we recognise the significance of our surrounding environment, and its overarching role as the fundamental enabler of our operations. As custodians of our farms, we uphold sustainable dairy farming practices across all our operations. We acknowledge the growing consumer awareness regarding sustainable choices, particularly in the dairy industry, and we embrace this shift by implementing environmentally-friendly agricultural techniques, underpinned by our unwavering commitment towards maintaining international dairy farming practices that prioritise environmental preservation and long-term sustainability.

We strongly believe in the responsible utilisation of natural resources, as evidenced by the establishment of a robust water treatment plant, which ensures that all water used in our production processes undergoes thorough treatment prior to being

released into the environment. This mechanism ensures that we actively safeguard the environment from any potential instances of pollution that could arise from our operations. Our dedication to this practice demonstrates our commitment to preserving and protecting the environment in which we operate.



The Group places a strong emphasis on utilising efficient technologies and processes to manage waste generated during our manufacturing operations. We have implemented responsible waste disposal practices, ensuring that all waste is handled in accordance with high-quality standards and criteria before their release into the environment. Solid

Nature, with its intricate workings and invaluable ecosystem services, is the ultimate economist. As mindful stewards, it is our responsibility to protect and preserve our natural capital, ensuring its integrity for the prosperity and well-being of generations to come.

waste is managed through a self-burning incinerator, while liquid waste undergoes treatment at our modern wastewater treatment plant. These measures demonstrate our commitment to responsible waste management and our dedication to preserving the environment.

The Group is fully committed to complying with all applicable regulations and statutory requirements set forth by the Central Environment Authority. With respect to our packaging operations, we prioritise the use of aseptic recycled packaging material to minimise our environmental impact. Solid waste disposal is carried out in a controlled manner, following best practices in waste management. At Lanka Dairies (Pvt) Ltd, our water effluent treatment plant plays a crucial role in recycling water for safe reuse within the plant premises and disposal, promoting environmental protection and efficient utilisation of natural resources.





Sustainability is the pathway to preserving our natural capital, creating a resilient future, and leaving a positive legacy for future generations

As the market leader in the dairy sector, we believe it is our responsibility to demonstrate environmental stewardship across all aspects of our operations. We strive to maximise opportunities for recycling and renewal, thereby making our operations more sustainable at every level.

Dairy farming is a source of pure goodness that future generations should be able to enjoy. We are dedicated to ensuring the long-term sustainability and productivity of our farms, in order to safeguard this invaluable resource for years to come.

Building a Sustainable Future: Our Commitment to Environmental Stewardship

Sustainable Practices at our Factories

The Group prioritises environmental sustainability and has established water Effluent Treatment Plants (ETPs) at both our locations to effectively treat and manage liquid waste. These plants ensure that all water discharged from our operations meets or exceeds regulatory standards, minimising any potential impact on the environment.

Through the implementation of responsible practices for the disposal of solid waste, such as proper waste segregation and partnering with authorised waste management entities, we ensure that our waste is handled in an environmentally friendly manner.

Additionally, we actively promote the reuse and recycling within certain areas of our operations, with the intention of reducing our overall environmental footprint and contributing to a circular economy. Through these initiatives, we demonstrate our commitment towards minimising waste generation, conserving resources, and promoting a sustainable future.

Sustainability Practices at our Farms

At our dairy farm, we prioritise environmental sustainability and employ wide-ranging practices to reduce our ecological impact. We have implemented a robust fencing system to protect our farmland from wild animals, ensuring the safety and productivity of our crops and livestock. Adequate garbage bins are strategically placed to promote responsible waste disposal and prevent instances of littering.

Vegetation belts along the roadside enhance the scenic beauty of our farm while providing habitats for wildlife and reducing soil erosion. The appropriate management of the grass cover ensures nutritious grazing, weed control, and soil health.

Our manure production system utilises cowshed waste, converting it into valuable organic fertilizer, thereby minimising waste, and promoting soil fertility. In addition to serving as a valuable resource within the farm, the dry matter of the manure is sold to outside plantations, providing an additional income stream and promoting sustainable waste utilization.

Through these initiatives, we strive to maintain a harmonious balance between agricultural productivity and environmental stewardship at our dairy farms.





Governance

LEADING-EDGE EVOLUTION

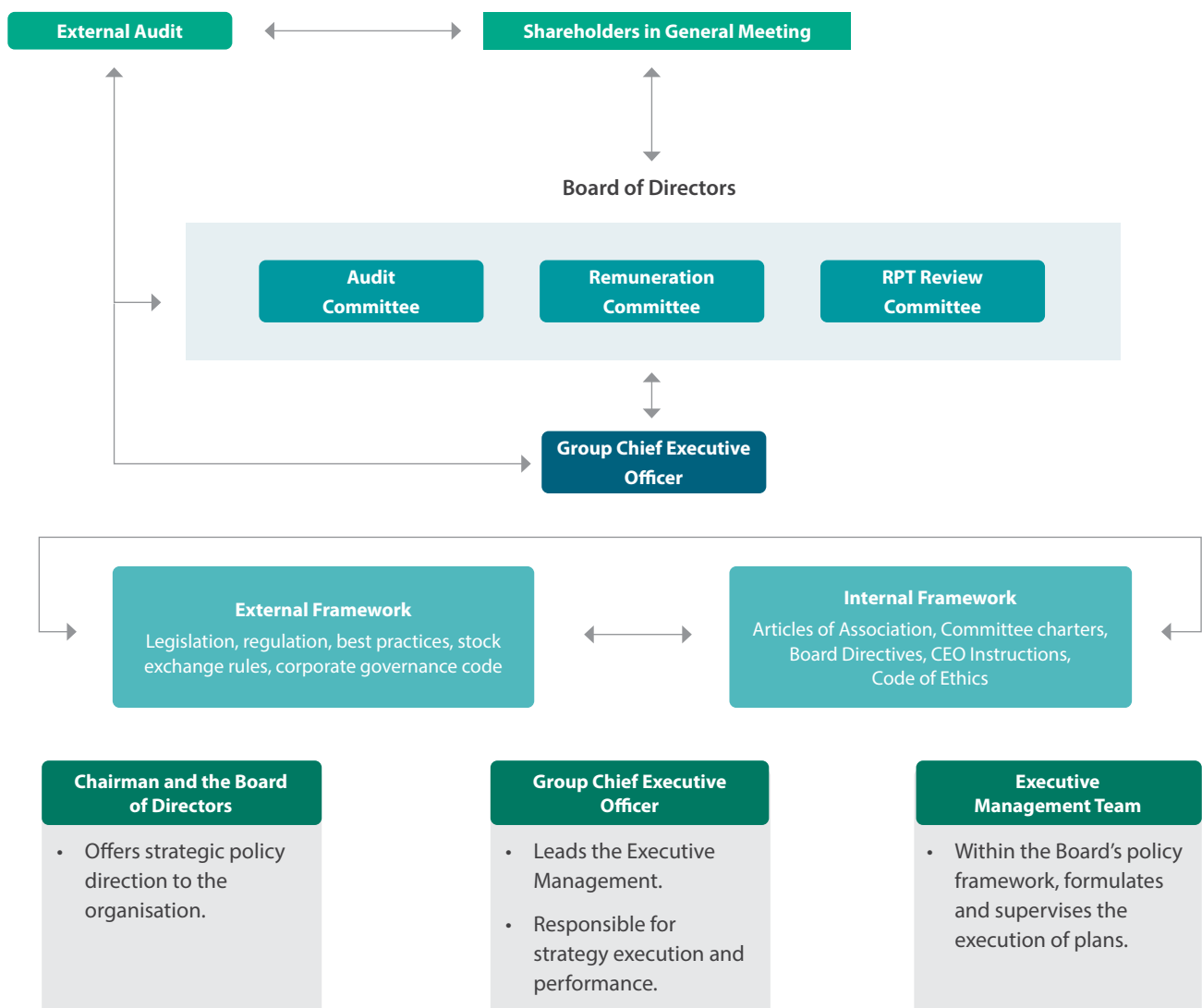
Corporate Governance

At Lanka Milk Foods (CWE) PLC, we are committed to upholding the values of responsibility, participation, and transparency in our corporate governance structure. We believe these principles will provide a solid foundation for our business as we continue to move forward and deliver exceptional value to all our stakeholders. We are confident that our commitment to these pillars will ensure our success in the future.

Our governance framework centres around responsibility, participation, and transparency. We take responsibility for our decisions and prioritise ethical choices that benefit the long-term interests of all stakeholders as we involve our stakeholders and foster an inclusive, open dialogue and collaboration culture. We believe that this builds trust, enhances accountability, and enables informed decision-making.

This report describes 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. It also covers 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 the 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 implementation of strategies
- Set the values of the corporation and promote ethical conduct
- Formulate, review, and reassess the long-term mission, objectives, policies, and strategies

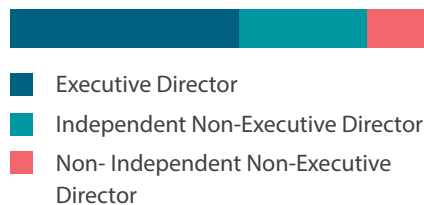
- Develop the organisational structure for the mission, goals, and policies of the enterprise
- Appoint top managers who can formulate and implement strategies
- Be responsive to societal needs
- Improve relationships with stakeholders
- Screen internal controls, financial penalties, and risk management systems and processes
- Periodically review the Company's financial performance and revise financial policies.

Board Composition

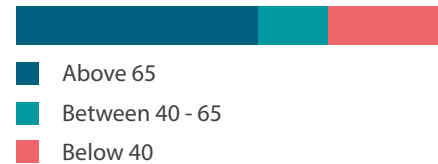
The Board comprises the following Directors.

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

Board Composition



Age Composition



Tenure of Service



Gender Composition



Corporate Governance

Board Subcommittees

The subcommittees appointed by the Board assume the responsibilities for the management of the Group's affairs.

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 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 62.

Remuneration Committee

The Committee assists the Board in determining a suitable remuneration package. Two independent non-executive directors are appointed to the Remuneration Committee. The 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 63.

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 two independent non-executive directors and one non-independent non-executive director.

The Related Party Transaction Review Committee report is given on page 64.

Meetings

The Board Meetings for each subsidiary are held whenever they are required to review the Company's performance, including the Financial Statements, investment 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	1/1	4/4	4/4	4/4
Dr. A. Shakthevale	1/1	4/4	4/4	4/4
Mr. D. Hasitha Stassen Jayawardena	1/1			4/4
Ms. D. S. T. Jayawardena	1/1			

Company Secretary

The Company Secretary is qualified to act in accordance with 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. The said Directors have submitted signed declarations in this regard. Detailed resumes of each Director are given in the Board of Directors section of this Annual Report, from pages 18 to 21.

Mr. D. S. K. Amarasekera is a Director of a company in which a majority of the other Directors of the Company are also 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 that company, his position as a Director of the other company does not compromise his independence or 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 also 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 that company, his position as a Director of the other company does not compromise

his independence or 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 on pages 123 to 126.

Disclosures

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

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the Inland Revenue Act, the Company's Articles of Association, the Companies Act, and the CSE Listing Rules.

Internal Controls

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

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

Future Company Assets

After reviewing the Financial Statements and Cash Flow of the Group, the Board of Directors is highly confident that the Group has more than adequate resources

to continue its customary operations in the foreseeable future.

Compliance Report

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

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 65 to 68 of this Annual Report.
168 (1) (b)	Financial Statements of the Company and the Group for the accounting period completed and signed	Complied	Refer to Financial Statements on pages 76 to 136 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 72 to 75 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 65 to 68 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 65 to 68 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 65 to 68 of this Annual Report.
168 (1) (g)	The 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 65 to 68 of this Annual Report.
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 65 to 68 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 65 to 68 of this Annual Report.

Corporate Governance

Section Ref.	Requirement	Compliance Status	Details of Compliance
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 65 to 68 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 65 to 68 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	Details of Compliance
7.6.(i)	Names of persons who, during the financial year, were Directors of the entity	Complied	Refer to 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 to Note 31 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 to Investor Information on page 137 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 to Investor Information on page 137 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 to Investor Information on page 137 of this Annual Report
7.6.(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Refer to Risk Management Report on pages 58 to 61 of this Annual Report
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Complied	No material issues pertaining to employees and industrial relations
7.6.(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Complied	Refer to Note 12 of the Financial Statements of this Annual Report
7.6.(ix)	The number of shares representing the Entity's stated capital.	Complied	Refer to Investor Information on page 137 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 to Investor Information on page 137 of this Annual Report
7.6.(xi)	Ratios and market price information	Complied	Refer to Investor Information on page 137 of this Annual Report
7.6.(xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of the land.	Complied	Refer to Note 12 of the Financial Statements of this Annual Report
7.6.(xiii)	If the entity has raised funds during the year through a public issue, rights issue and private placement.	N/A	The Company had no public issues, rights issues or private placements during the year.

Section Ref.	CSE Listing Rule	Compliance	Details of Compliance
7.6.(xiv)	Employee share option/purchase schemes (if any)	N/A	No share options or purchase schemes are 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 pages 50 to 57 of this Annual Report
7.6.(xvi)	Related Party Transactions in terms of Sections 9	Complied	Refer to Note 35 of the Financial Statements of this Annual Report
7.10	Compliance		
a/b/c.	Compliance with Corporate Governance Rules	Complied	The Group complies 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 of the six Directors are Non-Executive Directors at the conclusion of the 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.
b.	Each Non-Executive Director is to submit a signed and dated declaration of their Independence or Non-independence.	Complied	<p>The independence of the Directors has been determined following CSE Listing Rules, and the two Independent Non-Executive Directors have submitted signed declarations of their independence.</p> <p>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 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.</p> <p>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.</p>
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 18-21 of the Annual Report.

Corporate Governance

Section Ref.	CSE Listing Rule	Compliance	Details of Compliance
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.
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 for 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 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.	The 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	The composition of the Remuneration Committee is given on page 63.
c. 2	Statement of Remuneration Policy	Complied	Group's Remuneration Policy is given on page 63.
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 two Independent, Non-Executive Directors.
a. 2	A Non-Executive Director shall be the Chairman of the committee	Complied	The 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 performs the functions prescribed in this section of the Audit Committee. The role of the Audit Committee is given on page 62.
b. 1	Overseeing 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 by overseeing the integrity of the financial statements of the Group.
b. 2	Overseeing the compliance with financial reporting requirements and information requirements as per laws and regulations	Complied	The Audit Committee has the overall responsibility to oversee the preparation of financial statements following the laws and regulations of Sri Lanka and also to recommend to the Board the adoption of best accounting policies.

Section Ref.	CSE Listing Rule	Compliance	Details of Compliance
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 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 the appointment, reappointments, removal of external auditors, and 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 62 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 62 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 62 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.	CSE Listing Rule	Compliance	Details of Compliance
9.2	Related Party Transactions Review Committee		
9.2.2	Composition	Complied	Related Party Transaction Review Committee consists of three Directors, of which two are Independent, Non-Executive Directors; the Chairman of the Committee is an independent, Non-Executive Director. Refer to page 64.
9.2	Related Party Transactions Review Committee		
9.3.2	Disclosures in the Annual Report		
a.	Non-Recurrent Related Party Transactions	Complied	The company did not have any non-recurrent related party transactions requiring 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 carried out continuously and is 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 64.
d.	A declaration by the Board of Directors	Complied	Refer to the Annual Report of the Board of Directors for an affirmative statement of compliance of the Board on pages 64-65.

Enterprise Risk Management

MANAGING RISKS AND OPPORTUNITIES

Accentuate the positive, eliminate the negative

The LMF Group adopts a risk and opportunity strategy that recognizes the complex interplay between potential challenges and benefits. The Group views risk management as a tool to reduce the negative impacts of internal and external factors and enhance the value-creation process for achieving long-term operational sustainability.

Lanka Milk Foods (CWE) PLC and its subsidiaries are committed to achieving our goals by managing risks effectively. We have integrated risk management into our everyday business operations, leveraging the best capabilities of our organization.


GOVERNANCE AND RISK MANAGEMENT PROCESS



Risk management is an ongoing and dynamic process that aims to identify, assess, and mitigate potential threats and opportunities that may affect our objectives and performance. This involves communication and collaboration with stakeholders, as well as continuous examination and monitoring of the internal and external environment. The procedure is integrated into our business and policy operations and comprises the following steps: establishing the context, identifying the risks, analysing the risks, evaluating the risks, treating the risks, and reviewing and reporting the results.



The following are the highlights of the key hazards faced and identified as potential, as well as the approaches used by LMF Group to mitigate and manage such risks.

 Inflationary Pressures	 Milk Price and Volume Volatility	 Financial Risks	 Competitive Risk and Brand Image	 Compliance, Regulatory and Legal Risks	 Investment Risk
 Health and Safety of our people	 Stakeholder Relationships	 Technology Risk and Cyber Vulnerabilities	 Quality Risk	 Environmental Concerns	

Principal Risk Indicators	Potential Impact	Risk Mitigation Strategies
Inflationary Pressures		
<ul style="list-style-type: none"> • Consumer and Business Expectations • Commodity Prices • Increasing inflation rates - Consumer Price Index (CPI) • Increasing Feed costs • Increasing COGS 	<ul style="list-style-type: none"> • Increased cost of living/wage rate pressure • Reduced purchasing power • Decreased savings and increased borrowings • Decreasing Gross profit margins • Overall impact on profitability • Pressure on MRP 	<ul style="list-style-type: none"> • Price adjustments • Diversification of Suppliers • Cost control • Efficiency improvements • Focus on Value-added Products
Financial Risks		
<ul style="list-style-type: none"> • The arrangement of capital in the company • Projections of cash inflows and outflows • Assessment of current and quick ratios • Impact of changes in exchange rates • Evaluation of the gearing ratio • Consideration of fluctuations in interest rates • The limited availability of foreign currency reserves in the country. 	<ul style="list-style-type: none"> • High cost of imports • Impact on financial position • Cash management • Limitation on imported raw material and packaging material • Meeting obligations • Profitability of business 	<ul style="list-style-type: none"> • Committed facilities cover expected borrowings and maintain a healthy gearing ratio. • Improved banking facilities with competitive rates. • Strategic management of supplier payments, including advance payments and favourable exchange rates. • Monitoring of exchange exposures and adjusting payment/receipt timing. • Balanced approach to short-term vs. long-term borrowings and fixed vs. floating rate borrowings, with effective negotiation with bankers. • Regular liquidity evaluations to ensure sufficient resources for operations, financing, and investments.
Health and Safety of our people		
<ul style="list-style-type: none"> • Backlog of work • Employee Absenteeism Rate 	<ul style="list-style-type: none"> • Administration costs • Backlog of work • Hinder the supply of goods • Quality of products Reputation • Workforce health 	<ul style="list-style-type: none"> • Adherence to Government and Health Ministry guidelines at all our locations • Upon entering, all staff and guests are subjected to temperature checks. • Face masks are required in all of our facilities and PPE is provided to staff where needed.

Enterprise Risk Management

Principal Risk Indicators	Potential Impact	Risk Mitigation Strategies
Milk Price and Volume Volatility and Related		
<ul style="list-style-type: none"> Yield per cow Cost per Litre Price per Litre Rising feed costs 	<ul style="list-style-type: none"> Increasing milk prices and changes in volume directly impact the organisation's revenue and profitability. 	<ul style="list-style-type: none"> Increasing the number of milking cows and the amount of milk produced per cow daily 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		
<ul style="list-style-type: none"> Sales volumes Market presence Market share Inventory turnover rate 	<ul style="list-style-type: none"> Turnover and sales volumes Reputation Overall profitability 	<ul style="list-style-type: none"> 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.
Compliance, Regulatory and Legal Risks		
<ul style="list-style-type: none"> Cycle time to resolve compliance, regulatory and legal matters Number of compliance-related matters Number of litigations and cycle time to resolve them Total external and internal expenses on solving legal and litigation matters Interest rate fluctuations 	<ul style="list-style-type: none"> Financial loss Reputational loss Time and administration efforts dealing with such matters Financial risk, interest rate risk Effect of Investment on business growth Effect on cash flow 	<ul style="list-style-type: none"> A complete compliance checklist is checked regularly. If an agreement is breached, the Company consults with internal and external legal professionals to limit the risk. Management evaluates regulatory changes regularly and assesses the impact of new regulations on the business. To mitigate such vulnerabilities, preventive steps are conducted by adhering to all necessary legislation and regulatory matters. The infrastructure investments made by the organization are carefully evaluated and chosen for the long-term benefits they provide.
Stakeholder Relationships		
<ul style="list-style-type: none"> Customer complaints and their satisfaction Shortages of raw materials 	<ul style="list-style-type: none"> Inventory and supply chain management Market presence in B2B and B2C Customer retention Production hindrances Revenues and profitability 	<ul style="list-style-type: none"> Addressing customer feedback and complaints regularly Effective communication and being supportive of the development and expansion of supplier sources Reviewing supplier deliverables and performance Rewarding loyal customers Supplier partnerships are being strengthened.
Technology Risk and Cyber Vulnerabilities		
<ul style="list-style-type: none"> Technology malfunctions Suspicious email communications Theft or loss of devices Spam and malware threats Malicious cyber-attacks Password breaches 	<ul style="list-style-type: none"> Delays in tasks Disruptions to business operations Loss of sensitive data 	<ul style="list-style-type: none"> Information security is maintained by assigning different levels of access permissions to personnel based on their operational needs and responsibilities. Regular cloud-based system backups and software updates are performed to enhance security. To protect against viruses and unauthorised access, the company installs up-to-date anti-spyware and anti-virus software, implements firewalls and other security measures, and utilises passwords.

Principal Risk Indicators	Potential Impact	Risk Mitigation Strategies
Quality Risk		
<ul style="list-style-type: none"> • Customer satisfaction • Product complains • Social proof of quality 	<ul style="list-style-type: none"> • Impact on reputation • Repeated purchases • Total turnover and profitability 	<ul style="list-style-type: none"> • 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 following local and international standards • Testing was 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 regularly.
Environmental Concerns		
<ul style="list-style-type: none"> • Waste disposal • Water supplies • Air pollution 	<ul style="list-style-type: none"> • Reducing quality water supplies • Reduction in crops • Health effects and birth defects 	<ul style="list-style-type: none"> • 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) into our projects and complying with National Environmental Act etc. • Reusing and recycling • Safe chemical handling • Sustainable agriculture approaches are being prioritised. • Waste management and eco-friendly waste disposal

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, and 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 pages 18-21 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 formulated 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 audits, 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. The Charter complies with the Corporate Governance Rules, as outlined in section 7.10.6 of the Colombo Stock Exchange's Listing Rules.

Committee Meetings

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

Name	07/07/2022	09/11/2022	09/02/2022	23/05/2023
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓

External Audit Representatives and Chief Financial Officer, Mr. W A Dharmathilaka and Deputy Finance Manager, Mr, I. A. De Alwis attended the meetings by invitation and briefed the committee on related matters.

The role of the Committee

The Board Audit Committee operates in a way to protect the interests of shareholders and stakeholders by ensuring the Company's compliance with financial reporting standards and legal obligations including those set by 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.

The committee oversees the preparation and presentation of financial statements, ensures adequacy of disclosures, establishes internal controls, evaluates risk management strategies, monitors auditors' performance and independence, and recommends external auditors. Additionally, the committee ensures the Company's compliance with legal and regulatory standards, promoting transparency and accountability.

Overall, it actively upholds good governance practices and safeguards the integrity of the financial reporting process.

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 compromised 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 outlined in the Institute of Chartered Accountants of Sri Lanka's Code of Ethics.

The Audit Committee has evaluated the External Auditors' performance and discussed it with the Company's senior management. 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, 2024, 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

18th August 2023

Report of the Remuneration Committee

The Remuneration Committee, which is appointed by and responsible to the Board of Directors, comprises of two Independent Non-Executive Directors in compliance with section 7.10.5 of the listing rules of the Colombo Stock Exchange. 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, an Independent Non-Executive Director, acts as the Chairman of the Committee. The other member of the Committee is Dr. A. Shakthevale, an Independent Non-Executive Director. Brief profiles of each member are presented on pages 18-21 of this report.

The Remuneration Committee is governed by the Remuneration Committee Charter, which sets out its roles and responsibilities. The Committee is responsible for determining the remuneration policy of the key management personnel of the Company and all employees. This includes setting the overall level of remuneration, as well as the specific components of remuneration, such as base salary, bonus, and benefits. The Committee also reviews and approves the remuneration of individual executives and employees, and ensures that the remuneration policy is aligned with the Company's overall objectives.

Committee Meetings

The Remuneration Committee met four times during the year. The meetings were attended by members of the Committee, including the Group Chief Financial Officer and Deputy Finance Manager, who were invited to attend. The Committee discussed a variety of topics, including the remuneration policy for key management personnel, the performance of individual executives, and the overall remuneration strategy for the Company.

Name	07/07/2022	09/11/2022	09/02/2022	23/05/2023
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 for the Company. It also aims to motivate and encourage employees to perform at the highest possible level. A formal and transparent procedure is followed to determine the remuneration packages.

The Remuneration Committee reviewed the Group remuneration policy, which remained unchanged during the reporting year ended 31 March 2023. The Committee also studied the present remuneration package for employees, discussed the prevailing economic crisis and strategies for retaining farm expert 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

18th August 2023

Related Party Transaction Review Committee Report

Purpose of the Committee

The purpose of the Committee, as stated in Appendix 9A of the CSE Listing Rules, is to review all related party transactions, except those specified in Rule 9.5. The review can take place either before the transaction is 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 (RPTRC) is responsible to the Board of Directors and is composed of two Independent Non-Executive Directors (INEDs) and one Non-Independent Non-Executive Director (NINED). The Chairman of the RPTRC 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 are Dr. A. Shakthevale, INED, and Mr. D. Hasitha S. Jayawardena, NINED.

A brief profile of each member of the Related Party Transaction Review Committee (RPTRC) is given on pages 18-21 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	30/06/2022	30/09/2022	29/12/2022	30/03/2023
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓
Mr. D Hasitha S Jayawardena	✓	✓	✓	✓

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 pages 66-68 of this report.



D S K Amarasekera

Chairman

Related Party Transactions Review Committee

18th August 2023

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 41st Annual Report and Audited Financial Statements for the financial year ending March 31, 2023. 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 as Lanka Milk Foods (CWE) PLC. The Cooperative Wholesale Establishment controlled the Company until it was privatised in 1991. In compliance with the provisions of the Companies Act No. 07 of 2007, the Company underwent re-registration and obtained a fresh Company number, PQ 142, on the 16th of April, 2008.

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 prospects are shown in the Management Review section and Management Discussion section of this report.

Refer to Note 14, Investment in Subsidiaries and Note 31, 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 following Sri Lanka Accounting Standards and are presented on pages 84-96. 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 2023 were prepared following 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 18th August 2023 are provided on pages 76 to 136. The Auditor's Report on the Financial Statements of the Company and the Group is set out on pages 72 to 75.

Summary of Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31st March	2023 Rs.000's	2022 Rs.000's
Net profit/loss before tax	1,262,422	1,097,589
Provision for taxation, including deferred tax	(73,217)	(33,086)
Net profit/loss after tax	1,189,205	1,064,503
Other comprehensive income	2,381,687	(697,180)
Total comprehensive income	3,570,892	367,323
The amount attributable to minority interest	114	597
Total comprehensive income attributable to the shareholders	3,571,006	367,920
Balance brought forward from the previous year	10,433,617	10,265,687
Dividend paid	(299,985)	(199,990)
Amount available for appropriations	13,704,638	10,433,617
Stated Capital	999,950	999,950
Balance attributable to shareholders at the end of the year	14,704,588	11,433,567

Group Revenue and Profits

The group revenue for the reporting year ended 31st March 2023 was Rs. 14,172 million (2021/22 - Rs. 9,772 million). Lanka Milk Foods (CWE) PLC, the Company recorded Rs. 4,072 million for the financial year (2021/22 - Rs. 3,424 million).

The profit after tax of the Group was Rs. 1,189 million (2021/22 - Rs. 1,065 million). The Company reported a profit after tax of Rs. 1,521 million (2021/22 - Rs. 467 million). The segmental profits are disclosed in Note 34 to the Financial Statements.

Donations

During the year donations amounting to Rs. 10,000 were made by the Group.

Taxation

The income tax expense of the Group, including the deferred tax charge for the reporting year amounted to Rs. 73 million (2021/22 - Rs. 33 million). The deferred tax

credit of the Company, for reporting year amounted to Rs. 11.7 million (2021/22 - Rs. 3.3 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 2023, the Directors have declared and paid an interim dividend of Rs. 5 per share.

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 of 31st March 2023 amounted to Rs. 13.7 billion (2021/22 - Rs. 10.4 billion). The

Annual Report of the Board of Directors

movements of reserves during the period are given under the Statement of Changes in Equity on pages 78 to 79.

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 101.

Land Holdings

Details of leasehold land owned by the Company are given in Note 30 to Financial Statements on page 118.

Investments

Details of quoted and unquoted investments made by the Company as of 31st March 2023 are given in Note 15 to the Financial Statements on page 106.

Contingent Liabilities

Except as disclosed in Note 32 to the Financial Statements on page 121, there were no material contingent liabilities as of the reporting date.

Events after the Reporting Period

There have been no events after the reporting period, which would have any material effect on the Group or the Company other than those disclosed in Note 33 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 2023. 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 Directors as of 31st March 2023; appear on pages 18-21 of this report.

Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

For the year ended 31st March	As at 31st March 2023	As at 31st March 2022
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

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 following the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the Company's shares as of March 31, 2023, 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 98 of 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 the 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 have been complied with.

Employees

The number of persons employed by the Company as of 31st March 2023 was 225 (234 as of 31st March 2022) and by Group 724 (741 as of 31st March 2022).

Employment Policies

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

Other Information

Shareholder Information

Information on the twenty largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, and market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on pages 137-138 under Investor Information.

There were 4652, registered shareholders, holding ordinary voting shares at the year-end. (2021/22 - 4787)

Share Information

An Ordinary share of the Company (LMF. N0000) was quoted on the Colombo Stock Exchange at Rs. 140.75 as of 31st March 2023 (2021/22 - Rs. 132.75). During the year the share price fluctuated between Rs. 99.00 and Rs. 175.00.

Information concerning earnings, dividends, net assets and market value per share is given in the Ten-Year Summary on pages 139 to 140 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 08 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 practised by the Company to identify and manage potential risks are given on pages 58-61 and 126 to 133.

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 -57.

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

Related Party Transaction Review Committee

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

Remuneration Committee

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

Annual Report of the Board of Directors

Annual General Meeting

The 41st Annual General Meeting of the Company will be held at Lanka Milk Foods (CWE) PLC as a virtual/hybrid meeting on Tuesday, 12th of September 2023 at 10.00 a.m. The Notice of Meeting appears on page 142 of the report.

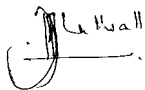
This Annual Report is signed for and on behalf of the Board of Directors by:



Mr D. H. S. Jayawardena
Chairman



Mr C. R. Jansz
Director



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

18th August 2023

Statement of Directors' Responsibilities

The Directors are responsible under sections of the Companies Act No. 7 of 2007 ("The Companies Act"), to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit & loss of the Company and the Group for the financial year.

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 following 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 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's financial statements.

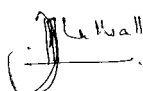
As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the

Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring all dividend.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

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

18th August 2023





Financial Statements

ESTEEMED VALUE

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 31st March 2023, and the statements 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 as set out on pages 76 to 136.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Measurement of Biological Assets

Refer the Note 16 to the consolidated 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 Group's Livestock, which are measured at fair value less cost to sell, was Rs.2,003.5 Mn, as at 31 March 2023, with a gain arising from changes in fair value less costs to sell of biological assets for the year ended 31 March 2023 recorded in the Statement of Profit or Loss and Other Comprehensive Income of Rs. 929.6 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.

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 the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our response

- 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 design, implementation and operating effectiveness of the management's key controls over the classification of dairy cattle into calves, heifers, milking cows, dry cows and culled animals.

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.

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



Measurement of Biological Assets

Refer the Note 16 to the consolidated financial statements

Risk Description	Our response
<p>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.</p>	<ul style="list-style-type: none"> Assessing the methodologies adopted in the valuation of biological assets with reference to the requirements of the prevailing accounting standards. 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.

Revenue Recognition – Group

Refer to notes 05 to the consolidated financial statements

Risk Description	Our response
<p>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.</p> <p>The Group has recorded Rs.14,171.5 Mn as Group revenue as for the year ended 31st March 2023.</p> <p>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.</p> <p>We identified revenue recognition as a key audit matter because of its significance to the consolidated financial statements, Consideration of Revenue as a key financial performance measure and increase of revenue of 45% when compared with the last financial year.</p>	<ul style="list-style-type: none"> Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition from sales transactions. Testing the operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment with the assistance of IT specialists. Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognised in the correct financial period. Performed inquiries of management and appropriate analytical procedures over revenue transactions throughout the financial year to understand and assess the reasonableness of the reported revenues; We performed test of details on revenue transactions throughout the financial year and evaluated the appropriateness of recognised revenue and its timing. Comparing revenue transactions recorded during the current year, on a sample basis, with invoices, underlying goods delivery and acceptance notes, where appropriate, to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies.

Independent Auditor's Report



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.

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 Company and 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 Company and 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 Company and 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 Company and 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. M.', written over a horizontal line.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

18th August 2023

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 March	Note	Group		Company	
		2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Revenue	5	14,171,501	9,771,539	4,072,143	3,423,954
Cost of Sales		(12,392,598)	(8,311,332)	(3,174,309)	(3,253,007)
Gross Profit		1,778,903	1,460,207	897,834	170,947
Other Operating Income	6	1,039,127	363,815	106,066	13,535
Administrative Expenses		(1,032,070)	(620,162)	(310,855)	(265,910)
Distribution Expenses		(514,582)	(380,706)	(141,477)	(112,875)
Other Operating Expenses		(98,444)	(145,508)	(28,776)	(54,858)
Profit from Operations		1,172,934	677,646	522,792	(249,161)
Finance Income	7.1	1,192,621	929,084	1,210,114	1,140,255
Finance Expense	7.2	(1,103,133)	(509,141)	(223,704)	(427,476)
Net Finance Expense	7	89,488	419,943	986,410	712,779
Profit Before Taxation	8	1,262,422	1,097,589	1,509,202	463,618
Income Tax Expense	9	(73,217)	(33,086)	11,705	3,261
Profit for the Year		1,189,205	1,064,503	1,520,907	466,879
Other Comprehensive Income					
Items that will never be reclassified to profit or loss					
Net Change in Fair Value of Equity Securities - at FVOCI		2,365,423	(723,799)	2,365,423	(723,799)
Actuarial Gain/(Loss) on Defined Benefit Obligation		18,384	33,090	7,908	25,387
Tax on Other Comprehensive Income / (Expense)		(2,120)	(6,471)	(2,373)	(4,570)
Other Comprehensive Income / (Expense) for the Year		2,381,687	(697,180)	2,370,958	(702,982)
Total Comprehensive Income / (Expense)		3,570,892	367,323	3,891,865	(236,103)
Profit Attributable to :					
Owners of the Company		1,189,319	1,065,100	1,520,907	466,879
Non Controlling Interest		(114)	(597)	-	-
Profit for the Year		1,189,205	1,064,503	1,520,907	466,879
Total Comprehensive Income Attributable to					
Owners of the Company		3,571,006	367,920	3,891,865	(236,103)
Non controlling Interest		(114)	(597)	-	-
Total Comprehensive Income for the Year		3,570,892	367,323	3,891,865	(236,103)
Figures in brackets indicate deductions.					
Earnings Per Share					
Basic Earnings Per Share	10.1	29.73	26.63	38.02	11.67
Diluted Earnings Per Share	10.2	29.73	26.63	38.02	11.67

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 82 to 136.

Statement of Financial Position

As at 31 March	Note	Group		Company	
		2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Assets					
Non Current Assets					
Property, Plant and Equipment	12	5,230,734	4,497,497	109,008	125,751
Intangible Assets	13	2,990	-	2,990	-
Investment in Subsidiaries	14	-	-	3,015,000	1,065,000
Other Investments	15.1	9,218,177	6,852,754	9,218,177	6,852,754
Biological Assets	16.1	2,003,533	1,279,229	-	-
Deferred Tax Asset	24	20,082	10,750	20,082	10,750
Right of Use Assets	30.1	506,517	308,854	279	307
Total Non Current Assets		16,982,033	12,949,084	12,365,536	8,054,562
Current Assets					
Inventories	17	2,787,191	1,486,956	532,944	398,066
Biological Assets	16.2	66,047	40,772	-	-
Other Investments	15.2	162,302	153,778	162,302	153,778
Trade Receivables	18	938,334	787,959	102,438	194,871
Other Receivables	19	105,783	68,705	21,524	25,369
Amounts Due from Related Parties	20	28,809	24,721	1,219,147	1,404,537
Income Tax Receivables		8,689	8,820	9,036	9,167
Cash and Cash Equivalents	21	47,276	1,212,879	22,747	1,002,342
Total Current Assets		4,144,431	3,784,590	2,070,138	3,188,130
Total Assets		21,126,464	16,733,674	14,435,674	11,242,692
Equity and Liabilities					
Equity					
Stated Capital	22	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		8,647,091	6,281,668	8,647,091	6,281,668
Revenue Reserves		4,952,431	4,046,833	3,438,400	2,211,943
Total Equity attributable to Equity Holders of the Company		14,704,588	11,433,567	13,190,557	9,598,677
Non Controlling Interests		(349)	(235)	-	-
Total Equity		14,704,239	11,433,332	13,190,557	9,598,677
Liabilities					
Non Current Liabilities					
Loans and Borrowings	26	2,156,251	1,753,646	-	-
Lease Liability	30.2	550,587	319,814	312	290
Deferred Tax Liability	24	67,934	87,030	-	-
Retirement Benefit Obligations	25	159,708	141,410	74,969	69,507
Total Non Current Liabilities		2,934,480	2,301,900	75,281	69,797
Current Liabilities					
Trade and Other Payables	27	830,946	1,518,264	121,898	1,182,122
Amounts Due to Related Parties	28	95,048	175,187	90,743	169,346
Income Tax Payable		17,280	35,857	-	-
Loans and Borrowings	26	1,150,000	375,000	775,000	-
Short Term Borrowings		250,000	-	-	-
Lease Liability	30.2	37,913	34,376	20	60
Bank Overdraft	21	1,106,558	859,758	182,175	222,690
Total Current Liabilities		3,487,745	2,998,442	1,169,836	1,574,218
Total Liabilities		6,422,225	5,300,342	1,245,117	1,644,015
Total Equity and Liabilities		21,126,464	16,733,674	14,435,674	11,242,692

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 82 to 136.

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;



D.H.S. Jayawardena

Director

18th August 2023

Colombo



C.R. Jansz

Director

Statement of Changes In Equity

For the Year Ended 31 March Group	Attributable to Equity Holders of the Company						Total Rs.000's	Non- Controlling Interest Rs.000's	Total Equity Rs.000's
	Stated Capital	Revaluation Reserve	Dairy Development Project Reserve	FVOCI Reserve	Retained Earnings				
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's				
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	
Balance as at 1st April 2022	999,950	105,116	110,000	6,281,668	3,936,833	11,433,567	(235)	11,433,332	
Total Comprehensive Income									
Profit for the year	-	-	-	-	1,189,319	1,189,319	(114)	1,189,205	
Other Comprehensive Income									
Net change in Financial instrument measured at FVOCI	-	-	-	2,365,423	-	2,365,423	-	2,365,423	
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	18,384	18,384	-	18,384	
Tax on Other Comprehensive Income	-	-	-	-	(2,120)	(2,120)	-	(2,120)	
Total Comprehensive income	-	-	-	2,365,423	1,205,583	3,571,006	(114)	3,570,892	
Dividend Paid	-	-	-	-	(299,985)	(299,985)	-	(299,985)	
Balance as at 31st March 2023	999,950	105,116	110,000	8,647,091	4,842,431	14,704,588	(349)	14,704,239	

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 82 to 136.

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 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 Financial instrument measured at FVOCI	-	-	-	(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
Balance as at 1st April 2022	999,950	105,116	110,000	6,281,668	2,101,943	9,598,677
Total Comprehensive Income						
Profit for the year	-	-	-	-	1,520,907	1,520,907
Other Comprehensive Income						
Net change in Financial instrument measured at FVOCI	-	-	-	2,365,423	-	2,365,423
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	7,908	7,908
Tax on Other Comprehensive Income					(2,373)	(2,373)
Total Comprehensive income	-	-	-	2,365,423	1,526,442	3,891,865
Dividend Paid	-	-	-	-	(299,985)	(299,985)
Balance as at 31st March 2023	999,950	105,116	110,000	8,647,091	3,328,400	13,190,557

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 82 to 136.

Statement of Cash Flows

For the Year Ended 31 March		Group		Company	
		2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
	Note				
Cash Flow from Operating Activities					
Profit Before Tax		1,262,422	1,097,589	1,509,202	463,618
Adjustments for;					
Depreciation on Property, Plant and Equipment	12.1/12.2	346,517	208,892	18,457	19,024
Amortisation of Right to Use of Asset	30.1	14,140	9,898	28	28
Changes in Fair Value of held for Trading Investments	7.1/ 7.2	(2,476)	47,166	(2,476)	47,166
Provision of Impairment for Amounts due from Related Companies		-	-	(38,260)	54,857
Amortisation of Intangible Assets	13	747	-	747	-
ESC Written-off		-	20,313	-	11,155
Provision / (Reversal) of Impairment of Trade Receivables	18.1	21,014	(270)	(2,815)	310
Provision on Impairment of Other Receivables	19	(6,357)	6,357	(6,357)	6,357
Gain on Disposal of Property, Plant and Equipment	6	(1,150)	(2,900)	(1,150)	(2,900)
Loss on Translation of Foreign Currency	7.2	40,106	382,788	47,200	375,090
Provision for Retirement Benefit Obligation	25	42,054	19,341	15,879	10,379
Provision for Obsolete Inventories	17.1	(367)	4,142	(1,944)	3,000
Change in Fair Gain of Biological Assets	16.1	(929,568)	(327,742)	-	-
Loss/ (Gain) on Disposal of Biological Assets	6	27,470	(7,008)	-	-
Lease Rental Income	6	(6,058)	(5,500)	-	-
Dividend Income	6	(1,163,351)	(910,558)	(1,163,351)	(1,110,558)
Interest Income	7.1	(17,850)	(18,526)	(44,287)	(29,697)
Interest Expense on Lease Liability	7.2	62,340	44,289	49	52
Interest Expense	7.2	991,743	34,898	176,455	5,168
Operating Profit/(loss) before Working Capital Changes		681,376	603,169	507,377	(146,951)
(Increase) in Inventories		(1,299,868)	(284,106)	(132,934)	38,475
(Increase)/Decrease in Trade and other Receivables		(202,108)	(129,737)	105,450	54,954
(Increase)/Decrease in Amounts due from Related Companies		(4,088)	274	223,650	(731,194)
Increase/ (Decrease) in Amounts due to Related Companies		(80,139)	11,097	(78,603)	29,780
Increase/(Decrease) in Trade and Other Payables		(727,297)	786,268	(1,107,293)	711,516
Cash Flows (Used in) Generated from Operations		(1,632,124)	986,965	(482,353)	(43,420)
Interest Paid		(991,743)	(34,898)	(176,455)	(5,168)
Income Tax Paid		(122,342)	(101,678)	-	-
Retiring Gratuity Paid	25	(5,372)	(6,813)	(2,509)	(1,638)
Net Cash Flows (Used in) / Generated from Operations		(2,751,581)	843,575	(661,317)	(50,226)

For the Year Ended 31 March	Note	Group		Company	
		2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Cash Flow from Investing Activities					
Interest Received	7.1	17,850	18,526	44,287	29,697
Dividend Received		1,157,303	906,616	1,157,303	1,106,616
Acquisition of Intangible Assets	13	(3,737)	-	(3,737)	-
Acquisition of Biological Assets	16.2	(25,275)	(40,772)	-	-
Income from Lease Hold Premises		6,058	5,500	-	-
Proceeds from Disposal of Property, Plant and Equipment		1,150	3,626	1,150	2,900
Proceeds from Sale of Biological Assets		177,794	205,331	-	-
Additional Investment in Subsidiaries		-	-	(1,950,000)	-
Purchase and Construction of Property, Plant and Equipment	12.1	(1,079,754)	(1,656,650)	(1,714)	(1,492)
Net Cash Flows (Used in) / Generated from Investing Activities		251,389	(557,823)	(752,711)	1,137,721
Cash Flow from Financing Activities					
Repayment of Borrowings During the Year	26	(1,531,250)	(693,750)	(1,250,000)	(600,000)
Lease Payment made during the Year	30.2	(39,831)	(36,853)	(67)	(67)
Loan Obtained during the Year	26	2,958,855	1,275,892	2,025,000	300,000
Dividend Paid		(299,985)	(199,990)	(299,985)	(199,990)
Net Cash Flows Generated from/(used in) Financing Activities		1,087,789	345,299	474,948	(500,057)
Net (Decrease) /Increase in Cash and Cash Equivalents		(1,412,403)	631,051	(939,080)	587,438
Cash and Cash Equivalents at the Beginning of the Year		353,126	(277,926)	779,657	192,219
Cash and Cash Equivalents at the End of the Year (Note 21)		(1,059,277)	353,126	(159,423)	779,657
Note A					
Analysis of Cash and Cash Equivalents at the End of the Year					
Cash and Cash Equivalents		47,281	1,212,884	22,752	1,002,347
Bank Overdraft		(1,106,558)	(859,758)	(182,175)	(222,690)
		(1,059,277)	353,126	(159,423)	779,657

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 82 to 136.

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 2023 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 31 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 the Group for the year ended 31 March 2023 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 18th August 2023.

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 15.1) | Fair value |
| ii. Defined Benefit Obligation (Note 25) | Actuarially valued and recognized at present value of the defined benefit obligation. |
| iii. Biological assets (Note 16) | Fair value less costs to sell |
| iv. Fair Value Through Profit or Loss (FVTPL) (Note 15.2) | 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 16 – Biological Assets;
- Note 24 – Deferred Tax Assets; availability of future taxable profit against which Tax losses carried forward can be used;
- Note 18 – Impairment loss; key assumptions underlying recoverable amounts; and
- Note 30 – 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 2023 is included in the following notes:

- Note 16 – Valuation of biological assets.
- Note 17 – Provision for inventory;
- Note 25 – Retirement Benefit Obligations; key actuarial assumptions; and
- Note 32 – Provisions and contingencies; key assumptions about likelihood and magnitude of an outflow of resources.

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.

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.

Notes to the Financial Statements

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 Statement Profit or Loss, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Company and the 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 Company and the Group.

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	Rearing of cattle to produce and sale of Cow milk.	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.

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.

3.1.3 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.

3.1.5 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.

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.

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 the 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.

3.3.1.1.6 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.

Notes to the Financial Statements

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 the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets – Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related

liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; 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).

Notes to the Financial Statements

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 post employment 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.

Notes to the Financial Statements

b. Defined Benefit Plans

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

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 2023. 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.

c. 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 non-occurrence 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, the 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.

Notes to the Financial Statements

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 or 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 or 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.

b. 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 34 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.

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year. Accordingly, the Group has not early adopted them in preparing these financial statements.

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

Classification of liabilities as current or non-current (Amendments to LKAS 01)

The amendment aims to clarify the requirements on determining whether a liability is current or non-current and apply for annual reporting periods beginning on or after 1 January 2023.

The amendments in classification of liabilities as current or non-current (Amendments to LKAS 01) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses or the information that entities disclose about those items.

Deferred tax related to assets and liabilities arising from a single transaction. (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Notes to the Financial Statements

Disclosure of Accounting Policies (Amendment to LKAS 1) IFRS Practice Statement 2

Amendments to LKAS 1 - Presentation of Financial Statements; intends to help companies provide useful accounting policy disclosures. Key amendments to LKAS 1 includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Definition of Accounting Estimates (Amendments to LKAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively. The approach taken can therefore affect both the reported results and trends between periods. Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors will clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

For the Year Ended 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
5 REVENUE				
Gross Revenue	14,171,501	9,771,539	4,072,143	3,423,954
	14,171,501	9,771,539	4,072,143	3,423,954
6 OTHER OPERATING INCOME				
Gain on Disposal of Property, Plant and Equipment	1,150	2,900	1,150	2,900
Insurance Claims	990	-	990	-
Gain on Disposal of Biological Assets	(27,470)	7,008	-	-
Change in Fair Value of Biological Assets	929,568	327,742	-	-
Reversal of Related Party Payable Balance	-	-	38,261	-
Sundry Income	1,592	7,208	77	635
Reversal of Inventory Provision	2,968	848	1,944	-
Storage Income	10,000	10,000	10,000	10,000
Other Income	135,285	2,029	50,829	-
Lease Rental Income	6,058	5,500	-	-
Reversal of / (Charge for) Provision for Impairment of Trade Receivable	(21,014)	580	2,815	-
	1,039,127	363,815	106,066	13,535
7 NET FINANCE EXPENSE				
7.1 Finance Income				
Dividend Income	1,163,351	910,558	1,163,351	1,110,558
Interest on Fixed Deposits	16,751	17,839	15,825	13,878
Interest on Loans and Receivables	1,099	605	848	439
Interest from Trade Receivables	-	82	-	-
Gain on Changes in Equity Securities at FVTPL	2,476	-	2,476	-
Gain on Translation of Foreign Currency	8,944	-	-	-
Interest on Amount due from Related Companies	-	-	27,614	15,380
	1,192,621	929,084	1,210,114	1,140,255
7.2 Finance Expense				
Interest on Bank Overdraft	(248,934)	(30,579)	(42,768)	(849)
Interest on Lease Liability	(62,340)	(44,289)	(49)	(52)
Interest on Long Term Borrowings	(742,809)	(4,180)	(133,687)	(4,180)
Interest on Trade Receivables	-	(139)	-	(139)
Loss on Changes in Equity Securities at FVTPL	-	(47,166)	-	(47,166)
Loss on Translation of Foreign Currency	(49,050)	(382,788)	(47,200)	(375,090)
	(1,103,133)	(509,141)	(223,704)	(427,476)
Net Finance Expense	89,488	419,943	986,410	712,779

Notes to the Financial Statements

For the Year Ended 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
8 PROFIT BEFORE TAXATION				
Directors' Emoluments	1,500	1,500	1,500	1,500
Auditors' Remuneration				
- Audit Services	6,620	6,018	3,989	3,626
- Audit Related services	1,028	1,206	1,028	641
Non Audit Services Fees	1,072	1,073	381	405
Depreciation on Property, Plant and Equipment	346,517	208,892	18,457	19,024
Amortisation of Right of Use Assets	14,140	9,898	28	28
Provision (Reversal) for Impairment Loss on Trade Receivables	21,014	(270)	(2,815)	310
Management Fees	5,000	1,000	5,000	1,000
Provision for Obsolete Inventory	(367)	4,142	(1,944)	3,000
Personnel Costs (Note 8.1)	1,359,588	812,039	431,770	392,113
8.1 Personnel Costs				
Defined Contribution Plan Costs - EPF and ETF	68,725	54,122	29,585	29,221
Defined Benefit Plan Cost - Retirement Benefit Obligation	42,054	19,341	15,879	10,379
Other Staff Costs	1,248,809	738,576	386,306	352,513
	1,359,588	812,039	431,770	392,113
Total Number of Employees as at Year End	724	741	225	234
9 INCOME TAX				
Current Tax Expense				
Income Tax for the year (Note 9.1.1)	105,011	103,830	-	-
Under/(Over) Provision of Income Tax	(1,246)	-	-	-
	103,765	103,830	-	-
Deferred Tax Expense				
Deferred Tax Charge /(Credit) for the Year (Note 24)	(270,026)	(70,744)	(4,538)	(3,261)
Impact on Deferred Tax from Rate Change	239,478	-	(7,167)	-
	(30,548)	(70,744)	(11,705)	(3,261)
Total Income Tax Expense	73,217	33,086	(11,705)	(3,261)
Effective Tax Rate (%)-including Deferred Tax	6%	3%	-	-
Effective Tax Rate (%)-excluding Deferred Tax	8%	9%	-	-

9 INCOME TAX (CONTINUED)

- a) The profits and income of Lanka Milk Foods (CWE) PLC is liable for income tax at the first 6 months rate 18% & second 6 months rate 30% (2022-18%) 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 first 6 months rate of 14% & second 6 months rate 30% , manufacturing income taxed at the first 6 months rate 18% & second 6 months rate 30% ,other income are liable for income tax at the first 6 months rate 24% & second 6 months rate 30%. (2022-24%) and Indo Lanka Exports (Private) Limited is taxed at the first 6 month rate 14% & second 6 months rates 30%. (2022- 14%)
- c) The profits and income of Ambewela Livestock Company Limited , Pattipola Livestock Company Limited and United Dairies Lanka (Private) Limited is exempt for income tax in terms of the Provisions of the Inland Revenue Act No.24 of 2017. (2022 - Exempt)

For the Year Ended 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
9.1 Numerical Reconciliation of Accounting Profit to Income				
Tax Expense				
Profit before Income Tax Expenses	1,262,422	1,097,589	1,509,202	463,618
Consolidation Adjustments	38,320	145,514	-	-
	1,300,742	1,243,103	1,509,202	463,618
Disallowable Expenses	543,191	474,024	(6,405)	153,081
Tax Deductible Expenses	(1,984,062)	(299,406)	(13,435)	(12,231)
Tax Exempt Income	(2,847,266)	(1,497,727)	(1,208,787)	(1,147,865)
Gain/Loss Asset Disposal/Sale of Livestock	1,278,618	304,061	-	-
Business Income	(1,708,777)	224,054	280,575	(543,398)
9.1.1 Business Income	915,320	823,500	280,575	-
Business (Loss)/ Income exempted	(2,583,646)	187,541	-	-
Business Loss	(40,451)	(786,987)	-	(543,398)
	(1,708,777)	224,054	280,575	(543,398)
Business Profit	915,320	823,500	280,575	-
Non Business Income	139,904	315,594	139,155	311,638
Tax Loss Claimed During the Year	(419,730)	(405,567)	(419,730)	(311,638)
Taxable Income	635,494	733,527	-	-
Income tax @ 24%	112	949	-	-
Income tax @ 18%	5,098	3,335	-	-
Income tax @ 14%	71,936	99,546	-	-
Income tax @ 30%	27,865	-	-	-
	105,011	103,830	-	-

Notes to the Financial Statements

9 INCOME TAX (CONTINUED)

For the Year Ended 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
9.2 Accumulated Tax Losses				
Tax Loss Brought Forward	2,588,947	2,207,686	1,008,063	776,303
Adjustments Related to Prior Years	(725,653)	(159)	(4,694)	-
Loss for the Year	40,451	786,987	-	543,398
Tax Loss Claimed During the Year	(419,730)	(405,567)	(419,730)	(311,638)
Tax Loss Carried Forward	1,484,015	2,588,947	583,639	1,008,063

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	
	2023	2022	2023	2022
Profit Attributable to Ordinary Shareholders (Rs.'000)	1,189,319	1,065,100	1,520,907	466,879
Weighted Average Number of Ordinary Shares ('000)	39,998	39,998	39,998	39,998
Basic Earnings Per Share (Rs.)	29.73	26.63	38.02	11.67

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

For the Year Ended 31 March	Group		Company	
	2023	2022	2023	2022
Dividend per share (Rs.)	5.00	7.50	5.00	7.50

*The Directors have recommended a Interim Dividend payment of Rs. 5.00 per share for the year ended 31st March 2023

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 2023.

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

	As at 01/04/2022 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2023 Rs.000's	As at 31/03/2022 Rs.000's
Cost /Deemed Cost					
Leasehold Buildings	912,574	3,677,162	-	4,589,736	912,574
Plant and Machinery	2,454,348	653,146	-	3,107,494	2,454,348
Laboratory Equipment	11,775	205	-	11,980	11,775
Factory Equipment	275,736	4,056	-	279,792	275,736
Canteen Equipment	8,804	736	-	9,540	8,804
Office Equipment	11,138	4,088	-	15,226	11,138
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture and Fittings	13,084	355	-	13,439	13,084
Fixtures	20	-	-	20	20
Computers	35,957	11,956	-	47,913	35,957
Motor Vehicles	266,462	29,779	(915)	295,326	266,462
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads and Others	67,028	-	-	67,028	67,028
	4,064,499	4,381,483	(915)	8,445,067	4,064,499
Capital Work in Progress	3,383,662	32,674	(3,334,403)	81,933	3,383,662
	7,448,161	4,414,157	(3,335,318)	8,527,000	7,448,161
	As at 01/04/2022 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2023 Rs.000's	As at 31/03/2022 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	486,188	97,346	-	583,534	486,188
Plant and Machinery	1,838,858	217,919	-	2,056,777	1,838,858
Laboratory Equipment	7,922	235	-	8,157	7,922
Factory Equipment	239,694	8,926	-	248,620	239,694
Canteen Equipment	4,498	643	-	5,141	4,498
Office Equipment	10,447	587	-	11,034	10,447
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture and Fittings	11,709	449	-	12,158	11,709
Fixtures	10	-	-	10	10
Computers	24,771	5,422	-	30,193	24,771
Motor Vehicles	255,156	14,192	(915)	268,433	255,156
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads and Others	63,838	798	-	64,636	63,838
	2,950,664	346,517	(915)	3,296,266	2,950,664
Written Down Value	4,497,497			5,230,734	4,497,497

Notes to the Financial Statements

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

As at 31 March	2023 Rs.000's	2022 Rs.000's
Written Down Value		
Leasehold Buildings	4,006,202	426,386
Plant and Machinery	1,050,717	615,490
Laboratory Equipment	3,823	3,853
Factory Equipment	31,172	36,042
Canteen Equipment	4,399	4,306
Office Equipment	4,192	691
Fire Fighting Equipment	-	-
Furniture and Fittings	1,281	1,375
Fixtures	10	10
Computers	17,720	11,186
Motor Vehicles	26,893	11,306
Milk Collection Equipment	-	-
Motor Roads and Others	2,392	3,190
	5,148,801	1,113,835
Capital Work in Progress	81,933	3,383,662
	5,230,734	4,497,497

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

As at 31 March	2023 Rs.000's	2022 Rs.000's
Lanka Milk Foods (CWE) PLC	308,595	298,063
Lanka Dairies (Private) Limited	193,742	191,181
Ambewela Livestock Company Limited	124,191	108,646
Pattipola Livestock Company Limited	85,054	80,750
Ambewela Products (Private) Limited	756,074	730,103
	1,467,656	1,408,743

- (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. 207 Mn (2022 - Rs.-nil) relating to constructing Property,Plant and Equipments.
- (e) Capital work-in progress includes,

As at 31 March	2023 Rs.000's	2022 Rs.000's
Building Construction	81,933	2,735,438
Milking Parlour Machines	-	648,224
	81,933	3,383,662

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

(f) The details of buildings on leasehold lands as at 31 March 2023 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	328,313	106,103
Ambewela	458.47	-	139	488,757	184,885	303,872
				923,173	513,198	409,975

12.2 Company

	As at 01/04/2022 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2023 Rs.000's	As at 31/03/2022 Rs.000's
Cost /Deemed Cost					
Leasehold Buildings	358,951	-	-	358,951	358,951
Plant and Machinery	199,318	169	-	199,487	199,318
Laboratory Equipment	2,863	-	-	2,863	2,863
Factory Equipment	9,656	552	-	10,208	9,656
Canteen Equipment	8,804	736	-	9,540	8,804
Office Equipment	8,681	257	-	8,938	8,681
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture and Fittings	4,178	-	-	4,178	4,178
Computers	26,609	-	-	26,609	26,609
Motor Vehicles	118,685	-	(915)	117,770	118,685
	741,968	1,714	(915)	742,767	741,968

	As at 01/04/2022 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2023 Rs.000's	As at 31/03/2022 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	273,462	8,548	-	282,010	273,462
Plant and Machinery	176,772	4,177	-	180,949	176,772
Laboratory Equipment	2,849	2	-	2,851	2,849
Factory Equipment	9,197	135	-	9,332	9,197
Canteen Equipment	4,499	643	-	5,142	4,499
Office Equipment	8,318	56	-	8,374	8,318
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture and Fittings	4,027	54	-	4,081	4,027
Computers	18,170	3,212	-	21,382	18,170
Motor Vehicles	114,700	1,630	(915)	115,415	114,700
	616,217	18,457	(915)	633,759	616,217
Written Down Value	125,751			109,008	125,751

Notes to the Financial Statements

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.2 Company (Continued)

As at 31 March	2023 Rs.000's	2022 Rs.000's
Written Down Value		
Leasehold Buildings	76,941	85,489
Plant and Machinery	18,538	22,546
Laboratory Equipment	12	14
Factory Equipment	876	459
Canteen Equipment	4,398	4,305
Office Equipment	564	363
Fire Fighting Equipment	-	-
Furniture Fittings	97	151
Computers	5,227	8,439
Motor Vehicles	2,355	3,985
	109,008	125,751

- (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 2022/23 and 2021/22.
- (c) Property Plant and Equipment as at 31st March 2023 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 308.6 million that are still in use (2021/22 - Rs. 298.1 million).

13 INTANGIBLE ASSETS

For the Year Ended 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Cost				
Opening Balance	-	-	-	-
Additions	3,737	-	3,737	-
Disposals	-	-	-	-
Closing Balance	3,737	-	3,737	-
Cost				
Opening Balance	-	-	-	-
Charge for the year	747	-	747	-
Disposals	-	-	-	-
Closing Balance	747	-	747	-
Carrying Value	2,990	-	2,990	-

Lanka Milk Foods (CWE) PLC

Software developed for marketing staff-Sales Automation System which will be amortized for 5 years

14 INVESTMENT IN SUBSIDIARIES

Company

As at 31 March	2023			2022	
	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%	200,000,000	2,000,000	5,000,000	50,000
Indo Lanka Exports (Private) Limited	51%	306,000	30,600	306,000	30,600
			3,143,552		1,193,552
Less : Provision for Impairment of Investments			(128,552)		(128,552)
			3,015,000		1,065,000

14.1 Provision for Impairment of Investments

As at 31 March	2023 Rs.000's	2022 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

- 14.1.1 The Company has made provision for impairment of Rs. 128,552,000/- (2022-Rs. 128,552,000) on the investment in subsidiaries as at 31 March 2023 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	2023 Rs.000's	2022 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)

Notes to the Financial Statements

15 INVESTMENT IN SHARES

As at 31 March	2023 Rs.000's	2022 Rs.000's
Equity Securities – at FVOCI (Note 15.1)	9,218,177	6,852,754
Equity Securities – mandatorily at FVTPL (Note 15.2)	162,302	153,778

As at 31 March	2023		2022	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
15.1 Equity Securities – at FVOCI				
Group/Company				
Distilleries Company of Sri Lanka PLC	44,991,407	881,832	44,991,407	611,883
Melstacorp PLC	151,846,000	8,336,345	151,846,000	6,240,871
		9,218,177		6,852,754

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.

- 15.1.1 Net change in fair value gain/ (loss) in equity securities - at FVOCI during the year was Rs. 2,365,423 (2021/22 - loss Rs. 723,799,264)
- 15.1.2 The value of shares pledged by the Group/ Company as securities for facilities obtained from banks amounted to Rs. 8336 Mn (2022 - Rs.6,241 Mn).
- 15.1.3 No strategic investments were disposed of during 2023/2022, and there were no transfer of any cumulative gain or loss within equity relating to these investment.

As at 31 March	2023		2022	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
15.2 Equity Securities – at FVTPL				
Group/Company				
Browns Beach Hotels PLC	1,251,558	15,144	1,251,558	11,264
Colombo Dockyard PLC	219,948	14,077	219,948	16,122
Commercial Bank of Sri Lanka PLC - Voting	2,092,470	133,081	2,015,823	126,392
		162,302		153,778

16 BIOLOGICAL ASSETS

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
16.1 Livestock				
Balance as at the Beginning	1,279,229	1,121,110	-	-
Changes in Fair Value during the Year	929,568	327,742	-	-
Disposals during the Year	(205,264)	(169,623)	-	-
Balance as at the End	2,003,533	1,279,229	-	-
16.2 Non Perennial Crops - At Cost				
Balance as at the Beginning	40,772	28,700	-	-
Additions during the Year	25,275	40,772	-	-
Disposals during the Year	-	(28,700)	-	-
Balance as at the end	66,047	40,772	-	-

The Group has used the following significant criteria in determining the fair value of the biological assets as at 31 March 2023.

Milk Production	18 - 27 litres
Lactations	1 - 4 lactation
Discount Rate	24.54%
Market Price of Milk	Rs.265 per litre

Weight, Pregnancy and Age also considered when determining the Fair Value of Biological Assets.

16.3 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		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Group				
Gain included in other income				
Change in Fair Value (Realized)	(27,470)	7,008	-	-
Change in Fair Value (Unrealized) (Note 16.1)	929,568	327,742	-	-
	902,098	334,750	-	-

16.4 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

16 BIOLOGICAL ASSETS (CONTINUED)

16.5 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	2023 Rs.000's	+ 10% Rs.000's
Livestock	428,019	2,003,533	3,579,721
Total	428,019	2,003,533	3,579,721

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	2023 Rs.000's	+10kg Rs.000's
Livestock	1,982,569	2,003,533	2,005,485
Total	1,982,569	2,003,533	2,005,485

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	2023 Rs.000's	+ 1% Rs.000's
Livestock	2,099,768	2,003,533	1,904,880
Total	2,099,768	2,003,533	1,904,880

There were no biological assets pledged by the Group as security for facilities obtained from banks (2021/22 - 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 2023/22 and 2022/21.

17 INVENTORIES

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Raw Materials and Consumables	2,324,087	1,346,845	207,114	347,690
Finished Goods	109,448	156,672	1,328	70,139
Working in Progress	13,884	5,845	-	-
Goods in Transit	393,773	31,962	342,841	520
	2,841,192	1,541,324	551,283	418,349
Provision for Obsolete Inventories (Note 17.1)	(54,001)	(54,368)	(18,339)	(20,283)
	2,787,191	1,486,956	532,944	398,066

17.1 Provision for Obsolete Inventories

Balance as at 1st April	54,368	50,226	20,283	17,283
Charge/(Reversal) for the Year	(367)	4,142	(1,944)	3,000
Balance As at 31st March	54,001	54,368	18,339	20,283

18 TRADE RECEIVABLES

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Trade Receivables	1,033,297	861,908	143,574	238,822
Provision for Impairment Loss (Note 18.1)	(94,963)	(73,949)	(41,136)	(43,951)
	938,334	787,959	102,438	194,871
18.1 Provision for Impairment Loss				
Balance as at 1st April	73,949	74,219	43,951	43,641
Charge / (Reversal) for the Year	21,014	(270)	(2,815)	310
Balance As at 31st March	94,963	73,949	41,136	43,951
19 OTHER RECEIVABLES				
Deposits and Prepayments	60,127	46,338	1,710	4,537
Provision for Impairment	-	(3,560)	-	-
	60,127	42,778	1,710	4,537
Insurance Receivables	881	-	-	-
Other Taxes Recoverable (Note 19.1)	1,935	22,430	916	21,134
Sundry Receivables	9,859	1,311	8,385	454
Staff Loans and Advances	36,638	8,642	10,513	5,601
Provision for Other Receivables	(3,657)	(6,454)	-	(6,357)
	105,783	68,705	21,524	25,369
19.1 Other Taxes Recoverable				
With holding Tax	1,019	1,019	-	-
Nation Building Tax	6,357	6,357	6,357	6,357
Value Added Tax	916	15,054	916	14,777
	8,292	22,430	7,273	21,134
Provision for NBT Recoverable	(6,357)	-	(6,357)	-
	1,935	22,430	916	21,134
20 AMOUNT DUE FROM RELATED PARTIES				
Lanka Dairies (Private) Limited	-	-	17,744	35,844
Stassen Exports (Private) Limited	25,628	17,958	712	1,602
Stassen Foods (Private) Limited	1,120	1,565	1,120	1,565
Ambewela Products (Private) Limited	-	-	53,011	223,187
Ambewela Livestock Company Limited	-	-	467,984	310,838
Aitken Spence PLC	2,004	4,602	1,722	2,983
Maudulsima Plantation PLC	-	68	-	68
Balangoda Plantation	-	750	-	750
Browns Beach Hotels PLC	279	-	279	-
United Dairies Lanka (Private) Limited	-	-	798,407	1,000,000
Indo Lanka Exports (Private) Limited	-	-	659	621
Pattipola Livestock Company Limited	-	-	159,055	146,885
	29,031	24,943	1,500,693	1,724,343
Provision for Impairment (Note 20.1)	(222)	(222)	(281,546)	(319,806)
	28,809	24,721	1,219,147	1,404,537

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

Notes to the Financial Statements

20 AMOUNT DUE FROM RELATED COMPANIES (CONTINUED)

20.1 Provision for Impairment Losses

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Balance as at 1st April	222	222	319,806	264,949
Charge / (Reversal) for the year	-	-	(38,260)	54,857
Balance As at 31st March	222	222	281,546	319,806

20.2 Provision for Impairment Losses

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Ambewela Livestock Company Limited	-	-	219,883	219,883
Pattipola Livestock Company Limited	-	-	19,500	19,500
Lanka Dairies (Private) Limited	-	-	7	154
Ambewela Products (Private) Limited	-	-	195	763
Indo Lanka Exports (Private) Limited	-	-	284	284
United Dairies Lanka (Private) Limited	-	-	41,455	79,000
Other Related Parties	222	222	222	222
	222	222	281,546	319,806

21 CASH AND CASH EQUIVALENTS

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Cash at Bank	31,241	1,198,212	10,044	990,187
Cash in Hand	5,001	3,948	1,669	1,436
Fixed Deposit	11,039	10,724	11,039	10,724
Expected Credit loss	(5)	(5)	(5)	(5)
	47,276	1,212,879	22,747	1,002,342
Bank Overdraft	(1,106,558)	(859,758)	(182,175)	(222,690)
Cash and cash equivalents for the purpose of cash flow statement	(1,059,282)	353,121	(159,428)	779,652

21.1 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	550	Investment in quoted shares of Melstacorp PLC
	HSBC	10	Inventories and Trade Receivables
Lanka Dairies (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 Company Limited	HNB -Wattala	90	Corporate guarantor from Lanka Milk Foods(CWE) PLC
	HNB -Nuwara Eliya	10	

22 STATED CAPITAL

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 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.

23 RESERVES

23.1 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.

23.2 Revenue Reserves

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Dairy Development Project Reserve	110,000	110,000	110,000	110,000
Retained Earnings	4,842,431	3,936,833	3,328,400	2,101,943
	4,952,431	4,046,833	3,438,400	2,211,943

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

Notes to the Financial Statements

24 NET DEFERRED TAX ASSETS / (LIABILITIES)

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Balance as at the Beginning	(76,280)	(140,553)	10,750	12,059
Recognised in the Profit or Loss				
Amounts Reversed / (Charged) during the Year	270,026	70,744	4,538	3,261
Impact From Changes in Tax Rate	(239,478)	-	7,167	-
Recognised in the Other Comprehensive Income				
Amounts Reversed / (Charged) during the Year	(2,120)	(6,471)	(2,373)	(4,570)
Balance as at the End	(47,852)	(76,280)	20,082	10,750

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

Group

As at 31 March	2023			2022		
	Deferred tax assets Rs.000's	Deferred tax liabilities Rs.000's	Net deferred tax assets/ (liabilities) Rs.000's	Deferred tax assets Rs.000's	Deferred tax liabilities Rs.000's	Net deferred tax assets / (liabilities) Rs.000's
Lanka Milk Foods (CWE) PLC	40,350	(20,268)	20,082	24,081	(13,331)	10,750
Net Deferred Tax Assets			20,082			10,750
Lanka Dairies (Private) Limited	15,908	(63,853)	(47,945)	5,458	(45,658)	(40,200)
Ambewela Products (Private) Limited	51,248	(71,237)	(19,989)	28,309	(75,139)	(46,830)
Net Deferred Tax Liabilities			(67,934)			(87,030)
	107,506	(155,358)	(47,852)	57,848	(134,128)	(76,280)

Company

As at 31 March	2023			2022		
	Deferred tax assets Rs.000's	Deferred tax liabilities Rs.000's	Net deferred tax assets/ (liabilities) Rs.000's	Deferred tax assets Rs.000's	Deferred tax liabilities Rs.000's	Net deferred tax assets / (liabilities) Rs.000's
Lanka Milk Foods (CWE) PLC	40,350	(20,268)	20,082	24,081	(13,331)	10,750
Net Deferred Tax Assets	40,350	(20,268)	20,082	24,081	(13,331)	10,750

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

24.2 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	2023		2022	
	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	(621,814)	(152,403)	(707,042)	(101,949)
On Biological Assets	(14,774)	(2,955)	(229,852)	(32,179)
	(636,588)	(155,358)	(936,894)	(134,128)
Deferred tax assets On :				
On Retirement Benefit Obligations	116,693	33,413	102,484	17,128
On Net Lease Liability	14,248	2,855	9,058	1,270
On Inventory Provision	28,716	8,565	30,521	5,085
On Trade Debtor Provision	72,679	20,388	51,663	8,991
Unused Tax Losses	211,426	42,285	181,243	25,374
	443,762	107,506	374,969	57,848
	(192,826)	(47,852)	(561,925)	(76,280)

Reconciliation of Net Deferred Tax Liabilities -Company

Deferred tax liabilities On :				
On Property, Plant and Equipment	(67,560)	(20,268)	(74,060)	(13,331)
	(67,560)	(20,268)	(74,060)	(13,331)
Deferred tax assets On :				
On Retirement Benefit Obligations	74,969	22,491	69,507	12,511
On Net Lease Liability	53	16	43	8
On Inventory Provision	18,339	5,502	20,283	3,651
On Trade Debtor Provision	41,136	12,341	43,950	7,911
	134,497	40,350	133,783	24,081
	66,937	20,082	59,723	10,750

Notes to the Financial Statements

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

24.3 Movement of Net Deferred Tax Liabilities - Group

	As at 01 April 2022		(Charged) / Credit in		As at March 2023	As at 01 April 2021		(Charged) / Credit in		As at 31 March 2022
	Rs. 000's	P&L		OCI	Rs. 000's	P&L		OCI	Rs. 000's	
		Rs. 000's	Rs. 000's			Rs. 000's	Rs. 000's			Rs. 000's
Property, Plant and Equipment	(101,949)	(50,454)	-	(152,403)	(129,757)	27,808	-	(101,949)		
Biological Assets	(32,179)	29,224	-	(2,955)	(48,581)	16,402	-	(32,179)		
Employee Benefits	17,128	18,405	(2,120)	33,413	22,646	953	(6,471)	17,128		
Unused Tax Losses	25,374	16,911	-	42,285	-	25,374	-	25,374		
Inventory Provision	5,085	3,480	-	8,565	4,288	797	-	5,085		
Trade Debtor Provision	8,991	11,397	-	20,388	9,017	(26)	-	8,991		
Other Receivable Provision	-	-	-	-	497	(497)	-	-		
Lease Liability	1,270	1,585	-	2,855	1,337	(67)	-	1,270		
	(76,280)	30,548	(2,120)	(47,852)	(140,553)	70,744	(6,471)	(76,280)		

Movement of Net Deferred Tax Assets - Company

	As at 01 April 2022		(Charged) / Credit in		As at 31 March 2023	As at 01 April 2021		(Charged) / Credit in		As at 31 March 2022
	Rs. 000's	P&L		OCI	Rs. 000's	P&L		OCI	Rs. 000's	
		Rs. 000's	Rs. 000's			Rs. 000's	Rs. 000's			Rs. 000's
Property, Plant and Equipment	(13,331)	(6,937)	-	(20,268)	(14,420)	1,089	-	(13,331)		
Employee Benefits	12,511	12,353	(2,373)	22,491	15,508	1,573	(4,570)	12,511		
Unused Tax Losses	-	-	-	-	-	-	-	-		
Inventory Provision	3,651	1,851	-	5,502	3,111	540	-	3,651		
Trade Debtor Provision	7,911	4,430	-	12,341	7,855	56	-	7,911		
On Lease Liability	8	8	-	16	5	3	-	8		
	10,750	11,705	(2,373)	20,082	12,059	3,261	(4,570)	10,750		

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

24.4 The Company has not been recognized deferred tax assets of Rs. 175,091,700- as at 31 March 2023 (31 March 2022 - Rs. 181,451,169/-), arising on unused tax losses of Rs. 583,639,000/- (31 March 2022 - Rs. 1,008,062,053) , 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	Unrecognized
	Temporary Difference Rs.	Deferred Tax Assets Rs.
Lanka Milk Foods (CWE) PLC	583,639,000	175,091,700
	583,639,000	175,091,700

24.5 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 (%)	
	2023	2022
Lanka Milk Foods (CWE) PLC	30%	18%
Lanka Dairies (Private) Limited	30%	14%
Ambewela Livestock Company Limited	Exempt	Exempt
Pattipola Livestock Company Limited	Exempt	Exempt
Ambewela Products (Private) Limited (Note A)	20%	14%
United Dairies Lanka (Private) Limited	Exempt	Exempt

NOTE A

Ambewela Products (Private) Limited will be liable at tax at the rate of 20% after the tax holiday period (Y/A 2022/23) as per the agreement entered with Board of Investment of Sri Lanka. Accordingly, 20% tax rate has used in assessing the deferred tax asset/ liability for the current financial year.

25 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Balance as at the Beginning	141,410	161,972	69,507	86,153
Interest Cost	20,150	7,639	9,731	6,117
Current Service Cost	21,904	13,510	6,148	5,548
Past Service Cost	-	(1,808)	-	(1,286)
Actuarial (Gain)/Loss	(18,384)	(33,090)	(7,908)	(25,387)
Payments during the Year	(5,372)	(6,813)	(2,509)	(1,638)
Balance as at the End	159,708	141,410	74,969	69,507

Notes to the Financial Statements

25 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

25.1 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	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Interest cost	20,150	7,639	9,731	6,117
Current Service Cost	21,904	13,510	6,148	5,548
Past Service Cost	-	(1,808)	-	(1,286)
Expense recognized in Profit or Loss	42,054	19,341	15,879	10,379
Actuarial (Gain) / Loss	(18,384)	(33,090)	(7,908)	(25,387)
Expense recognized in Other Comprehensive Income	(18,384)	(33,090)	(7,908)	(25,387)

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 2023.

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.

As at 31 March,	2023	2022
i.) Discount Rate	20%	14%
ii.) Annual Salary Increment Rate	10%	10%
iii) Retirement Age	60 years	60 years
iv) Staff Turnover Rate	8%-15%	6%-18%

Weight average duration of define benefit obligation (Year) = 3.6 (2023)

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	(6,416)	7,100	(2,197)	2,381
Effect on the Salary Escalation Rate	7,337	(6,722)	2,575	(2,407)

In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 20% p.a. (2021/2022 – 14% p.a.) has been used to discount future retirement benefit liabilities. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates has been adjusted to remove the risk from the market interest rate in arriving at the discount rate for the purpose of valuing Employee benefit obligations as per LKAS 19.

26 LOANS AND BORROWINGS

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Term Loans - Secured				
Balance as at Beginning	2,128,646	1,546,504	-	300,000
Loans Obtained during the Year	2,708,855	1,275,892	2,025,000	300,000
	4,837,501	2,822,396	2,025,000	600,000
Repayments during the Year	(1,531,250)	(693,750)	(1,250,000)	(600,000)
Balance as at End	3,306,251	2,128,646	775,000	-
Amount Payable within one Year	1,150,000	375,000	775,000	-
Amount Payable after one Year	2,156,251	1,753,646	-	-
	3,306,251	2,128,646	775,000	-

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

Financial Institution	Purpose	Assets Pledged	Interest Rate
Hatton National Bank PLC	Company operations	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 + 0.5

27 TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Trade and Other Payables	639,447	345,740	92,443	74,599
Accrued Expenses	153,275	65,588	3,358	1,224
Outstanding Letters of Credit	-	1,100,612	-	1,100,612
Unclaimed Dividend	7,681	3,928	7,681	3,928
Other Taxes Payable (Note 27.1)	30,543	2,396	18,416	1,759
	830,946	1,518,264	121,898	1,182,122

27.1 Other Taxes Payable

Value Added Tax	13,096	684	13,096	684
APIT	6,663	1,645	2,216	1,019
Stamp Duty	469	67	37	56
SSCL	10,315	-	3,067	-
	30,543	2,396	18,416	1,759

Notes to the Financial Statements

28 AMOUNTS DUE TO RELATED PARTIES

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Stassen Exports (Private) Limited	91,399	169,797	89,294	168,543
Aitken Spence PLC	703	2,992	703	296
Aitken Spence Cargo (Private) Limited	2,079	-	-	-
Distilleries Company of Sri Lanka PLC	482	1,867	472	15
Maudulsima Plantation PLC	266	492	266	492
Lanka Bell Limited	93	13	8	-
Browns Beach Hotels PLC	26	26	-	-
	95,048	175,187	90,743	169,346

29 COMMITMENTS

29.1 Capital Commitments

There are no other material capital commitments at the Group and the 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	
	2023 Rs. Mn	2022 Rs. Mn
Capital commitments approved and contracted	129,892	3,373

30 LEASES

The Group / the 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 2023.

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 2023.

30 LEASES (CONTINUED)

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

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Cost				
Balance as at Beginning	342,413	307,049	391	391
Remeasurement	211,803	35,364	-	-
Balance as at End	554,216	342,413	391	391
Accumulated Amortisation				
Balance as at Beginning	33,559	23,661	84	56
Charge for the Year	14,140	9,898	28	28
Balance as at End	47,699	33,559	112	84
Net Book Value as at 31 March 2023	506,517	308,854	279	307

30.2 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	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Balance as at Beginning	354,190	311,390	350	365
Remeasurement Adjustment	211,801	35,364	-	-
Accretion of Interest	62,340	44,289	49	52
Payments	(39,831)	(36,853)	(67)	(67)
Balance as at End	588,500	354,190	332	350
Current	37,913	34,376	20	60
Non- current	550,587	319,814	312	290
Balance as at 31 March	588,500	354,190	332	350

Notes to the Financial Statements

30.3 Maturity analysis - Contractual Undiscounted Cash Flows

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Less than One Year	39,831	40,784	67	67
One to Five Years	203,920	203,920	335	335
More than Five Years	1,256,244	1,296,075	938	335
Total Undiscounted Liabilities as at 31 March	1,499,995	1,540,779	1,340	737

30.4 Amounts Recognised in Statement of Profit or Loss

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Leases under SLFRS 16				
Depreciation of Right-of-use assets	14,140	9,898	28	28
Interest Expense on Lease Liabilities	62,340	44,289	49	52
	76,480	54,187	77	80

30.5 Amounts Recognised in Statement of Cash Flows

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Total Cash Outflow for Leases	(39,831)	(36,853)	(67)	(67)
	(39,831)	(36,853)	(67)	(67)

31. 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, 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	Rearing milking cows to produce and sale of cow milk		Ordinary	100%	-

32. 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	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 (Pvt) Limited	Commercial Bank of Ceylon	3000

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

33. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no other material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements other than the following.

The Board of Directors has recommended a Interim Dividend of Rs. 5.00 per share amounting to Rs.199,990,000 for the year ended 31 March 2023.

Notes to the Financial Statements

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Total Revenue	2,357,891	1,979,541	1,714,252	1,444,413	11,800,034	7,771,941	2,660,390	1,108,178	(4,361,066)	(2,532,534)	14,171,501	9,771,539
Profit or Loss from Operation	302,712	(144,051)	220,080	(105,110)	654,510	930,573	33,952	(58,252)	(38,320)	54,486	1,172,934	677,646
Financing Income/(Cost)	571,161	412,089	415,249	300,690	(123,864)	(30,602)	(773,058)	(62,234)	-	(200,000)	89,488	419,943
Income Tax Expenses	6,778	1,885	4,927	1,376	(84,922)	(36,347)	-	-	-	-	(73,217)	(33,086)
Profit/(Loss) for the Year	880,651	269,923	640,256	196,956	445,724	863,624	(739,106)	(120,486)	(38,320)	(145,514)	1,189,205	1,064,503
Segment Asset	8,358,683	6,499,904	6,076,991	4,742,788	4,899,876	3,970,115	7,933,859	5,275,502	(6,142,945)	(3,754,635)	21,126,464	16,733,674
Segment Liabilities	720,960	950,479	524,157	693,536	1,420,278	934,502	7,111,632	5,676,637	(3,354,802)	(2,954,812)	6,422,225	5,300,342
Segment Net Assets	7,637,723	5,549,425	5,552,834	4,049,252	3,479,598	3,035,613	822,227	(401,135)	(2,788,143)	(799,823)	14,704,239	11,433,332
Segment Capital Expenditure	992	863	722	629	32,301	73,646	4,380,142	1,667,849	-	-	4,414,157	1,742,987
Depreciation on Property, Plant and equipment	10,687	10,999	7,770	8,025	181,472	177,144	146,588	12,724	-	-	346,517	208,892

35. RELATED PARTY DISCLOSURES

The Lanka Milk Foods (CWE) Group and the Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures. Transactions and outstanding balances between the companies within the Group and related parties are given in note no. 35.1 - 35.5.

35.1 Transactions with Subsidiary Companies

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2023 Rs.	2022 Rs.
Lanka Dairies (Private) Limited.	Mr.D.H.S.Jayawardena	Sale of Goods & Other	501,910,857	519,660,619
	Mr.C.R.Jansz	Settlement of Goods Sales	538,485,000	491,367,340
	Mr.D.Hasitha S.Jayawardena	Expense Reimbursement	-	672,974
	Ms.D.S.T. Jayawardena	Material Purchase	15,134,917	1,370,693
		Settlement for Material Transfer	15,134,917	
		Dividend Income Received	-	100,000,000
		Service Rendered & Others		4,235,280
		Bank Guarantees Provided	425,000,000	425,000,000
Ambewela Livestock Company Limited	Mr.D.H.S.Jayawardena	Expenses Reimbursement	167,044	133,531
	Mr.C.R.Jansz	Sale of Goods & Other	4,637,881	5,937,211
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods Sales	5,673,240	5,101,922
	Ms.D.S.T. Jayawardena	Fund Transfers	158,000,000	500,000
		Bank Guarantees Provided	60,000,000	60,000,000
Pattipola Livestock Company Limited	Mr.D.H.S.Jayawardena	Expenses Reimbursement	169,619	91,044
	Mr.C.R.Jansz	Sale of Goods & Other	4,390,858	1,873,474
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods Sales	4,390,858	1,877,422
	Ms.D.S.T. Jayawardena	Purchases of Goods	-	21,448
		Settlement of Goods Purchases	-	23,898
		Fund Transfers	12,000,000	
Ambewela Products (Private) Limited		Bank Guarantees Provided	110,000,000	110,000,000
	Mr.D.H.S.Jayawardena	Sale of Goods & Other	236,049,999	153,475,048
	Mr.C.R.Jansz	Expense Reimbursement	21,793,760	1,291,670
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods & Other Sales	242,258,209	136,572,090
	Ms.D.S.T. Jayawardena	Granted Short Term Loan	380,000,000	150,000,000
		Charged Short Term Loan Interest	27,613,748	15,380,233
		Received Loan Interest Settlement	28,375,009	14,722,644
		Settlement of Short Term Loan	580,000,000	50,000,000
		Fund Transfers	15,000,000	-
		Dividend Income Received	-	100,000,000
	Bank Guarantees Provided	250,000,000	250,000,000	

Notes to the Financial Statements

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.1 Transactions with Subsidiary Companies

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2023 Rs.	2022 Rs.
Indo Lanka Exports (Private) Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	37,879	336,461
	Mr.C.R.Jansz		-	-
United Dairies Lanka (Private) Limited	Mr.D.H.S.Jayawardena	Paid Investment on Share Capital	1,950,000,000	-
	Mr.C.R.Jansz	Expenses Reimbursement	2,316,932	-
	Mr.D S K Amarasekara	Fund Transfers	1,750,723,976	589,000,000
	Dr.A Shakthevale	Bank Guarantees Provided	3,000,000,000	3,900,000,000
	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	425,000,000
		United Dairies Lanka (Private) Limited	4,750,723,976	4,489,000,000
Aggregate Value of Non Recurrent Transaction as a % of Equity		Lanka Dairies (Private) Limited	3%	4%
		United Dairies Lanka (Private) Limited	36%	47%
Aggregate Value of Non Recurrent Transaction as a % of Total Assets		Lanka Dairies (Private) Limited	3%	4%
		United Dairies Lanka (Private) Limited	33%	40%

35.2 Transaction with Other Related Companies:

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2023 Rs.	2022 Rs.
Milford Exports (Ceylon) (Private) Limited	Mr.D.H.S.Jayawardena	Management Fee	5,000,000	1,000,000
	Mr.D.Hasitha S.Jayawardena	Directors' Fee	1,500,000	1,500,000
	Mr.C.R.Jansz	Related Party Settlement	6,500,000	2,500,000
	Ms.D.S.T. Jayawardena	Dividend Paid	100,699,050	67,132,700
Stassen Exports (Private) Limited	Mr.D.H.S.Jayawardena	Reimbursement Expenses	10,837,439	6,888,205
	Mr.D.Hasitha S.Jayawardena	Services Obtained & Others	17,560,294	20,809,367
	Ms.D.S.T. Jayawardena	Sale of Goods	57,096,230	18,005,330
	Mr.C.R.Jansz	Purchase Happy Cow & Energy Drinks	827,951,591	1,427,635,057
		Services Rendered and Others	10,800,000	10,800,000
	Related Party Settlement	80,072,672	33,225,796	
	Settlement of Purchases & Other	924,760,990	1,418,788,381	
Distilleries Company of Sri Lanka PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	18,178,560	9,438,954
	Mr.C.R.Jansz	Dividend Income Received	123,051,498	70,186,595
	Mr.D.Hasitha S.Jayawardena	Services Obtained & Others	471,500	839,500
	Ms.D.S.T. Jayawardena	Related Party Settlement	18,178,560	17,753,647
	Settlement of Services Obtained	15,000	854,500	

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.2 Transaction with Other Related Companies:

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2023 Rs.	2022 Rs.
Aitken Spence PLC	Mr.D.H.S.Jayawardena	Sale of Goods	14,847,523	10,030,662
	Ms.D.S.T. Jayawardena	Settlement of Goods Sales	15,539,340	8,674,314
	Mr.C.R.Jansz	Services Obtained & Others	10,659,836	12,354,349
		Related Party Settlement	8,939,214	12,307,786
Madulsima Plantations PLC	Mr.D.H.S.Jayawardena	Sale of Goods	583,555	477,050
	Mr.D S K Amarasekara	Services Obtained & Others	588,850	1,869,540
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods Sales	583,555	408,948
	Dr.A Shakthevale	Related Party Settlement	1,047,100	1,786,690
	Mr.C.R.Jansz			
Lanka Bell Limited	Mr.D.H.S.Jayawardena	Telephone Charges	633,650	316,313
	Mr.C.R.Jansz	Related Party Settlement	544,254	335,658
Melstacrop PLC	Mr.D.H.S.Jayawardena	Dividend Paid	96,270,555	33,578,920
	Mr.C.R.Jansz	Dividend Income Received	1,024,960,500	827,560,700
	Mr.D.Hasitha S.Jayawardena			
	Ms.D.S.T. Jayawardena			
Browns Beach Hotels PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	2,389,831	1,349,533
	Ms.D.S.T. Jayawardena	Settlement of Goods Sales	2,837,960	974,906
Balangoda Plantations PLC	Mr.D.H.S.Jayawardena	Services Provided & Other	346,205	1,052,417
	Mr.C.R.Jansz	Settlement of Service Rended	346,205	1,712,199
	Mr.D.Hasitha S.Jayawardena			
	Dr.A Shakthevale			
	Mr.D S K Amarasekara			
Splendor Media (Private) Limited	Ms.D.S.T. Jayawardena	Services Obtained & Others	3,274,514	51,300
		Related Party Settlement	3,153,764	51,300
		Sale of Goods	43,056	45,216
		Settlement of Goods Sales	43,056	17,208
Aggregate Value of Recurrent Related Party Transactions during the Year		Stassen Exports (Private) Limited	924,245,554	1,484,137,959
Aggregate Value of Recurrent Related Party Transactions as a % of Revenue		Stassen Exports (Private) Limited	7%	15%

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 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	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Short-Term Employee Benefits	1,500	1,500	1,500	1,500
	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. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Trade Receivables	1,033,297	861,908	143,574	238,822
Other Receivables (Note a.)	106,624	56,289	20,608	10,592
Amounts Due from Related Parties	29,031	24,943	1,500,693	1,724,343
Cash and Cash Equivalents (Note b.)	42,280	1,208,935	21,083	1,000,911
	1,211,232	2,152,075	1,685,958	2,974,668

Note a.

The other assets exclude 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 analyzed 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 2023.

As at 31 March 2023 Group	Weighted Average Loss Rate	Gross Carrying Amount Rs.000's	Impairment Loss Allowance Rs.000's	Credit Impaired
Past due 0-60 days	2.12%	867,552	(18,434)	No
Past due 60-180 days	5.39%	94,076	(5,066)	No
Past due 180-365 days	75.74%	849	(643)	No
More than one year	100.00%	70,820	(70,820)	Yes
		1,033,297	(94,963)	

As at 31 March 2023 Company	Weighted Average Loss Rate	Gross Carrying Amount Rs.000's	Impairment Loss Allowance Rs.000's	Credit Impaired
Past due 0-60 days	0.00%	102,438	-	No
Past due 60-180 days	-	-	-	-
Past due 180-365 days	-	-	-	-
More than one year	100.00%	41,136	(41,136)	Yes
		143,574	(41,136)	

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	2023 Rs.000's	2022 Rs.000's
Balance at 1st April	73,949	74,219
Provision for the year	21,014	(270)
Balance at 31st March	94,963	73,949

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 2023. 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 Fitch ratings	2023			
	Group		Company	
	Rs:'000	Rating %	Rs:'000	Rating %
	Rs:'000	of Total	Rs:'000	of Total
A(Ika)	30,984	73.28%	9,995	47.41%
AAA(Ika)	145	0.34%	49	0.23%
A-(Ika)	112	0.26%	-	0.00%
BBB+	11,039	26.12%	11,039	52.36%
	42,280	100.00%	21,083	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 32)

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	Commercial Bank	3000

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	2023					
	Carrying amount	Total	Contractual Cash Flows			
			0-2 months	2-6 months	6-12 months	More than 1 year
Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	
Financial Liabilities (Non Derivatives)						
Trade and Other Payables	647,128	647,128	647,128	-	-	-
Amounts Due to Related Parties	95,048	95,048	95,048	-	-	-
Interest Bearing Loans and Borrowings	3,306,251	4,973,495	-	1,589,167	753,703	2,630,625
Lease Liabilities	588,500	1,499,995		39,764	67	1,460,164
Bank Overdraft	1,106,558	1,106,558	1,012,629	78,536	15,393	-
	5,743,485	8,322,224	1,754,805	1,707,467	769,163	4,090,789

Company

As at 31 March	2023					
	Carrying amount	Total	Contractual Cash Flows			
			0-2 months	2-6 months	6-12 months	More than 1 year
Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	
Financial Liabilities (Non Derivatives)						
Trade and Other Payables	100,124	100,124	100,124	-	-	-
Amounts Due to Related parties	90,743	90,743	90,743			
Interest Bearing Loans and Borrowings	775,000	835,464	-	835,464	-	-
Lease Liabilities	332	1,340			67	1,273
Bank Overdraft	182,175	182,175	182,175			
	1,148,374	1,209,846	373,042	835,464	67	1,273

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

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	2023	2022
Trade and Other Receivables	USD	164,385	(93,166)
Trade and Other Payables	USD	(5,019)	3,160,512
Trade and Other Payables	EUR	-	485,098
Gross Statement of Financial Position Exposure		159,366	3,552,444

Company

As at 31 March	Currency	2023	2022
Trade and Other Payables	USD	-	3,100,900
Trade and Other Payables	EUR	-	485,098
Gross Statement of Financial Position Exposure		-	3,585,998

The following significant exchange rates were applicable during the year;

As at 31 March	Average rate		Reporting date spot rate	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
USD	358.05	205.10	327.28	299.00
EUR	373.28	239.05	357.10	335.99

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 2023 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.

31st March 2023	Strengthening		Weakening	
	Profit or Loss Rs. 000	Equity Rs. 000	Profit or Loss Rs. 000	Equity Rs. 000
31 March 2023				
USD (15% movement)	(7,824)	(7,824)	7,824	7,824
EUR (15% movement)	-	-	-	-
31st March 2022				
USD (15% movement)	(137,570)	(137,570)	137,570	137,570
EUR (15% movement)	(24,448)	(24,448)	149,133	149,133

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 Group is exposed to interest rate risk for loans obtained from Hatton National Bank 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	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
Variable Rate Instruments				
Financial Liabilities				
Interest Bearing Loans and Borrowings	3,306,251	2,128,646	775,000	-
Bank Overdraft	1,106,558	859,758	182,175	222,690
	4,412,809	2,988,404	957,175	222,690

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 the Company's profit before tax (through the impact on floating rate borrowings).

As at 31 March	Group		Company	
	2023 Rs.000's	2022 Rs.000's	2023 Rs.000's	2022 Rs.000's
+100 basis points	(44,128)	-	(9,572)	-
-100 basis points	44,128	-	9,572	-
+800 basis points	-	(3,736)	-	(278)
-800 basis points	-	3,736	-	278

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 2023	-10%	2023	+ 10%
Group/Company	Rs.	Rs.	Rs.
	Rs.000's	Rs.000's	Rs.000's
Financial Assets Measured at FVTOCI	8,296,359	9,218,177	10,139,995
Financial Assets Measured at FVTPL	146,071	162,302	178,532
	8,442,430	9,380,479	10,318,527

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 2023	Group		Company	
	2023	2022	2023	2022
	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Total Liabilities	6,422,225	5,300,342	1,245,117	1,644,015
Less:				
Cash and Cash Equivalents	(47,276)	(1,212,879)	(22,747)	(1,002,342)
Net Debts	6,374,949	4,087,463	1,222,370	641,673
Total Equity	14,704,239	11,433,332	13,190,557	9,598,677
Net Debt to Equity Ratio	0.43	0.36	0.09	0.07

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 2023	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Financial Assets Measured at FVTOCI	9,218,177	-	-	9,218,177
Financial Assets Measured at FVTPL	162,302	-	-	162,302
	9,380,479	-	-	9,380,479

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

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 2023	Group		Company	
	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000
Assets				
Cash and Cash Equivalents	47,276	47,276	22,747	22,747
Trade and Other Receivables	1,042,182	1,042,182	123,046	123,046
Amounts Due from Related Companies	28,809	28,809	1,219,147	1,219,147
Liabilities				
Bank Overdraft	1,106,558	1,106,558	182,175	182,175
Trade and Other Payables	800,403	800,403	103,482	103,482
Amounts Due to Related Parties	95,048	95,048	90,743	90,743
Lease Liabilities	588,500	588,500	332	332
Loans and Borrowings	3,306,251	3,306,251	775,000	775,000

37 FAIR VALUE MEASUREMENT (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

	Amortised Cost Rs.000's	Classification	
		Fair Value Through Profit or Loss Rs.000's	Fair Value Through Other Comprehensive Rs.000's
Trade and Other Receivables	1,042,182	-	-
Amount Due from Related Parties	28,809	-	-
Cash and Cash Equivalent	47,276	-	-
Financial Assets Measured at FVTOCI	-	-	9,218,177
Financial Assets Measured at FVTPL	-	162,302	-

Financial liabilities

	Classification	
	Fair Value Through Profit or Loss Rs.000's	Amortized Cos Rs.000's
Trade and Other Payables	-	800,403
Interest Bearing Borrowings	-	3,306,251
Amounts Due to Related Parties	-	95,048
Bank Overdraft	-	1,106,558
Lease Liabilities	-	588,500

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	123,046	-	-
Amount Due from Related Parties	1,219,147	-	-
Cash and Cash Equipment's	22,747	-	-
Financial Assets Measured at FVTOCI	-	-	9,218,177
Financial Assets Measured at FVTPL	-	162,302	-

Financial liabilities

	Classification	
	Fair Value Through Profit or Loss Investments	Amortized Cost
	Rs.000's	Rs.000's
Trade and Other Payables	-	103,482
Amounts Due to Related Parties	-	90,743
Loans and Borrowings	-	775,000
Bank Overdraft	-	182,175
Lease Liabilities	-	332

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 31/03/2023	Total Shares 31/03/2023	Percentage (%) 31/03/2023	No of Share Holders 31/03/2022	Total Shares 31/03/2022	Percentage (%) 31/03/2022
1-1000	3,707	806,466	2.02	3,783	844,399	2.11
1001-10000	772	2,640,499	6.60	833	2,926,998	7.32
10001-100000	154	4,297,558	10.74	152	4,064,414	10.16
100001-1000000	20	5,990,863	14.98	16	4,820,062	12.05
1,000,001 & Over	2	26,262,614	65.66	3	27,342,127	68.36
Total	4,655	39,998,000	100.00	4,787	39,998,000	100.00

3 ANALYSIS OF ORDINARY SHARES

Category	No of Share Holders 31/03/2023	Total Shares 31/03/2023	Percentage (%) 31/03/2023	No of Share Holders 31/03/2022	Total Shares 31/03/2022	Percentage (%) 31/03/2022
Individuals -Local	4,330	7,816,415	19.54	4,403	7,492,615	18.73
Individuals - Overseas	44	546,321	1.37	44	368,310	0.92
Companies - Local	279	31,354,112	78.39	337	31,541,437	78.86
Companies - Overseas	2	281,152	0.70	3	595,638	1.49
Total	4,655	39,998,000	100.00	4,787	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	Company	
	2023	2022
Name of the Directors and CEO	No Of Shares	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	
		2022/23	2021/22
		Rs.	Rs.
Earnings	Rs.	38.02	11.67
Dividend	Rs.	5.00	7.50
Net Assets	Rs.	329.78	239.98

Shareholder and Investor Information

6 MARKET VALUE PER SHARE

		Company	
		2022/23 Rs.	2021/22 Rs.
Highest Price during the Year	Rs.	175.00	295.00
Lowest Price during the Year	Rs.	99.00	130.00
Value as at Last Trading Date	Rs.	140.75	132.75

7 TWENTY FIVE MAJOR SHARE HOLDERS

	As at 31 March 2023			As at 31 March 2022		
	NAME	No of Shares	% On Total Issued Capital	NAME	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	12,836,074	32.09
3	Senkadagala Finance PLC	750,398	1.88	Seylan Bank PLC/Arrc Capital (Pvt) Ltd	1,079,513	2.70
4	Employees Trust Fund Board	575,787	1.44	Employees Trust Fund Board	575,787	1.44
5	Vasudevan Saraswathi	513,007	1.28	Vasudevan Saraswathi	513,007	1.28
6	Hatton National Bank PLC-Senfin Growth Fund	509,073	1.27	E.W. Balasuriya & Co. (Pvt) Ltd	457,547	1.14
7	E.W. Balasuriya & Co. (Pvt) Ltd	457,547	1.14	Rukaiya Husseinally Abdulhussein	410,000	1.03
8	Yusuf Husseinally Abdulhussein	392,295	0.98	Yusuf Husseinally Abdulhussein	397,637	0.99
9	Rukaiya Husseinally Abdulhussein	383,000	0.96	Amana Bank Plc/Hi-Line Trading Pvt Ltd	371,533	0.93
10	Amana Bank PLC/Hi-Line Trading Pvt Ltd	371,533	0.93	Pershing LLC S/A Averbach Grauson & Co.	299,531	0.75
11	Commercial Bank Of Ceylon PLC A/C No. 04	250,000	0.63	Hatton National Bank PLC-Senfin Growth Fund	285,589	0.71
12	Hallsville Trading Group Inc.	249,221	0.62	Commercial Bank Of Ceylon PLC A/C No. 04	250,000	0.63
13	People'S Leasing & Finance PLC/Mr.H.M. Abdulhussein	200,000	0.50	Hallsville Trading Group Inc.	249,221	0.62
14	Husseinally Mohsinaly Abdulhussein	196,534	0.49	Husseinally Mohsinaly Abdulhussein	217,660	0.54
15	Mark Anthony Theodoor Raaymakers	194,993	0.49	People'S Leasing & Finance Plc/Mr.H.M. Abdulhussein	200,000	0.50
16	Radhakrishnan Maheswaran	155,929	0.39	Dinesh Nagendra Sellamuttu	183,502	0.46
17	Meenambigai Priyadarshini Radhakrishnan	150,000	0.38	Manickam Vallipuram Theagarajah	140,933	0.35
18	Andal Radhakrishnan	143,959	0.36	Mark Anthony Theodoor Raaymakers	135,493	0.34
19	Manickam Vallipuram Theagarajah	140,933	0.35	Gulamhussein Moshinaly Abdulhussein	132,622	0.33
20	Gulamhussein Moshinaly Abdulhussein	132,622	0.33	Meenambigai Priyadarshini Radhakrishnan	95,337	0.24
21	Kalin Holdings (Pvt) Ltd	122,284	0.31	Andal Radhakrishnan	94,468	0.24
22	Dinesh Nagendra Sellamuttu	101,748	0.25	Sakuvi Investment Trust (Private) Limited	92,000	0.23
23	Damian Amal Cabraal	100,000	0.25	Arunasalam Sithampalam	91,160	0.23
24	Mohamed Siddeek Mohamed Ali	95,688	0.24	Essajee Carimjee Insurance Brokers (Pvt) Ltd	90,000	0.23
25	Sakuvi Investment Trust (Private) Limited	92,000	0.23	Commercial Bank Of Ceylon PLC/ H.M.Dawoodbhoy	80,000	0.20
	Sub Total	32,541,165	81.36	Sub Total	32,705,154	81.77
	Other Shareholders	7,456,835	18.64	Other Shareholders	7,292,846	18.23
	Grand Total	39,998,000	100.00	Grand Total	39,998,000	100.00

8 PUBLIC SHAREHOLDINGS

	2023.03.31	2022.03.31
Number of Shares held by Public	13,731,313	13,731,313
Numbers of Public Shareholders	4652	4784
Percentage of Shares held by Public	34.33%	34.33%
Float Adjusted Market Capitalisation (Rs.000)	1,932,682	1,822,832

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	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
OPERATING RESULT										
Revenue	14,171,501	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
Gross Profit	1,778,903	1,460,207	1,077,218	663,230	487,442	938,579	789,861	733,442	310,735	472,593
Profit/(Loss) before Tax	1,262,422	1,097,589	833,946	400,368	(44,712)	631,766	548,704	119,483	(33,302)	26,524
Taxation	(73,217)	(33,086)	7,818	(109,705)	(81,915)	(51,235)	(6,748)	1,114	31,571	21,903
Profit/(Loss) after Tax	1,189,205	1,064,503	841,764	290,663	(126,627)	580,531	541,956	120,597	(1,731)	48,427
Profit/(Loss) Attributable to Equity Holder	1,189,319	1,065,100	841,842	301,252	(126,312)	580,784	542,179	126,988	2,885	61,059
Dividends	199,990	299,985	199,990	99,995	49,998	99,995	99,995	49,998	49,998	-
STATEMENT OF FINANCIAL POSITION										
Property, Plant and Equipment	5,230,734	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
Short-term Investment	162,302	153,778	197,002	209,061	209,839	270,283	244,838	247,029	305,929	236,453
Current Assets	4,144,431	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
Total Assets	21,126,464	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
Total Equity	14,704,239	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
Non Current Liabilities	2,934,480	2,301,900	1,799,149	971,784	476,154	494,501	514,450	556,378	594,848	622,506
Current Liabilities	3,487,745	2,998,442	1,436,002	1,569,526	1,284,236	828,552	632,870	941,023	1,318,041	971,347
RATIOS										
Earnings per shares (Rs)	29.73	26.63	21.05	7.53	(3.16)	14.52	13.56	3.17	0.07	1.53
Dividend per shares (Rs)	5.00	7.50	5.00	2.50	1.25	2.50	2.50	1.25	1.25	-
Dividend cover (Times)	5.95	3.55	4.21	3.01	(2.53)	5.81	5.42	2.54	0.06	-
Dividend payout Ratio %	16.82	28.17	23.75	33.20	(39.58)	17.22	18.44	39.43	1,785.71	-
Price earning ratio (Times)	4.73	4.98	7.14	9.83	(34.81)	10.89	8.63	36.12	2,000.00	70.16
Total assets to equity (Times)	1.44	1.46	1.29	1.24	1.20	1.11	1.10	1.15	1.17	1.16
Net assets per Share (Rs)	367.63	285.85	281.66	260.33	221.16	311.49	295.01	253.69	284.41	249.27
Market Value per share (as at 31st March)	140.75	132.75	150.25	74.00	110.00	158.10	117.00	114.50	140.00	107.10
Return on equity (%)	8.09	9.32	7.47	2.89	(1.43)	4.66	4.59	1.19	(0.02)	0.48
Return on Total Assets (%)	5.63	6.37	5.80	2.24	(1.19)	4.21	4.18	1.04	(0.02)	0.42
Gross Profit Ratio (%)	12.55	14.95	14.18	9.89	9.05	17.33	15.04	14.53	7.87	10.34
Net Profit/(Loss) Ratio (%)	8.39	10.90	11.08	4.34	(2.35)	10.72	10.32	2.39	(0.05)	1.06
Current Ratio (Times)	1.19	1.26	1.71	1.44	1.91	2.65	2.91	1.90	1.49	1.66
Liquidity Ratio (Times)	0.39	0.77	0.87	0.79	0.80	1.31	1.61	1.02	0.71	0.84

Ten Year Summary

Company - Rs.000	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
OPERATING RESULT										
Revenue	4,072,143	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
Gross Profit	897,834	170,947	120,289	156,610	26,721	100,936	154,936	222,274	63,033	171,232
Profit/(Loss)before Tax	1,509,202	463,618	307,486	182,385	115,405	278,346	216,919	(37,470)	22,029	14,062
Taxation	11,705	3,261	(14,436)	(52,449)	(13,922)	(1,945)	16,925	20,014	46,264	29,957
Profit/(Loss) after Tax	1,520,907	466,879	293,050	129,936	101,483	276,401	233,844	(17,456)	68,293	44,019
Dividends	199,990	299,985	199,990	99,995	49,998	99,995	99,995	49,998	49,998	-
STATEMENT OF FINANCIAL POSITION										
Property,Plant and Equipment	109,008	125,751	143,283	136,964	136,226	143,342	162,710	186,883	214,959	235,513
Short-term Investment	162,302	153,778	197,002	209,061	209,839	270,283	244,838	247,029	305,929	236,453
Current Assets	2,070,138	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
Total Assets	14,435,674	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
Total Equity	13,190,557	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
Non Current Liabilities	75,281	69,797	86,459	63,695	58,007	62,227	51,429	44,765	38,826	30,028
Current Liabilities	1,169,836	1,574,218	571,778	433,127	637,870	314,171	384,819	361,002	783,458	558,725
RATIOS										
Earnings per shares(Rs)	38.02	11.67	7.33	3.25	2.54	6.91	5.85	(0.44)	1.71	1.10
Dividend per shares (Rs)	5.00	7.50	5.00	2.50	1.25	2.50	2.50	1.25	1.25	-
Dividend cover (Times)	7.60	1.56	1.47	1.30	2.03	2.76	2.34	(0.35)	1.37	-
Dividend payout Ratio %	13.15	64.27	68.21	76.92	49.27	36.18	42.74	(35.20)	73.10	-
Price earning ratio (Times)	3.70	11.37	20.50	22.78	43.30	22.88	20.01	(260.22)	81.87	97.32
Total assets to equity (Times)	1.09	1.17	1.07	1.05	1.08	1.03	1.04	1.04	1.07	1.06
Net assets per Share (Rs)	329.78	239.98	250.88	242.92	207.99	292.55	283.63	250.01	284.28	247.08
Market Value per share (as at 31st March)	140.75	132.75	150.25	74.00	110.00	158.10	117.00	114.50	140.00	107.10
Return on equity (%)	11.53	4.87	2.92	1.34	1.22	2.37	2.06	(0.18)	0.61	0.45
Return on Total Assets (%)	10.54	4.16	2.74	1.27	1.12	2.29	1.98	(0.18)	0.56	0.42
Gross Profit Ratio (%)	22.05	5.00	3.88	5.17	1.39	5.48	7.55	9.29	3.22	7
Net Profit/(Loss) Ratio (%)	37.35	13.64	9.45	4.28	5.28	15.02	11.39	(0.73)	3.49	1.8
Current Ratio (Times)	1.77	2.02	3.32	3.58	2.52	5.04	4.64	4.34	2.6	3.16
Liquidity Ratio (Times)	1.31	1.77	2.55	2.75	1.49	3.45	3.95	3.4	1.81	2.53

Notice of Meeting

Notice is hereby given that the Forty-First (41st) Annual General Meeting of Lanka Milk Foods (CWE) PLC* will be held as a virtual meeting at Lanka Milk Foods (CWE) PLC, Welisara, Ragama on Tuesday, the 12th September 2023 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 2023 with the Auditors' Report thereon.
2. To re-elect Ms. Stasshani 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 sections 210 and 211 of the Companies Act No. 7 of 2007 as a Director of the Company by passing the following Resolution.

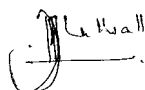
"That Mr. D.H.S. Jayawardena who attained the age of 70 on 17th August 2012 be and is hereby re-elected as a Director of the Company and it is hereby declared that the age limit of 70 years referred to in section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. D.H.S. Jayawardena."

4. To re-elect Dr. A. Shakthevale who is over the age of 70 years and who retires in terms of sections 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 2024, 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

18th August 2023

*NOTE:

01. The 41st 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 audiovisual 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, 12th September 2023 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 in 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 forwarding the same to reach the Company Secretary via e-mail to **agm_2023@lmfgroup.lk** or facsimile on +94112956266 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 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 +94112956266 or by post to 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 at +94112956266 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 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.

02. Annual report online access

The Annual Report of the Company for the year 2022/2023 will be available for perusal on the website at www.lmfgroup.lk and on the Colombo Stock Exchange website at 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 Forty-First (41st) Annual General Meeting of the Company to be held on the 12th September 2023, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	Resolution	For	Against
1	To re-elect Ms. Stasshani 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 sections 210 and 211 of the Companies Act No. 7 of 2007		
3	To re-elect Dr. A. Shakthevale, who retires in terms of sections 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 the Company's Donation Act. (Cap 147)		

Signed this day of September Two Thousand Twenty Three

.....
 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 the return of the signed Form of Proxy to Sri Lanka.
- (d) For the completed Form of Proxy to be valid it should be deposited with the Company Secretary, Lanka Milk Foods (CWE) PLC at the registered office of the company at Welisara, Ragama, not later than 48 hrs 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. M. C. 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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