

Wholesome Nutrition for Generations

LANKA MILK FOODS (CWE) PLC
ANNUAL REPORT 2020/21





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



Let's stay connected
Ambewela
Daily

Wholesome Nutrition for Generations

At Lanka Milk Foods, we have always maintained the highest standards in quality and nutrition, strengthened by a range of products designed to promote the health and vitality of our growing customer base. For over 50 years we have served generations of Sri Lankans with impeccable value, powered by enduring partnerships that enable us to move steadily onward with certainty; emboldened by a commitment to uphold our longstanding promise of excellence and trust through every eventuality.

As we face the uncertainty and challenges the future may hold, we believe that as in the past, we hold the power to shape the generations to come – nourishing them with the best our land has to offer, while remaining a step ahead in order to meet the people's ever-changing needs. We're focused on building a nation based on wholesome goodness and nutrition – and pledging a lifetime of value to all every stakeholder we serve.

Lanka Milk Foods. Wholesome Nutrition for Generations.

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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 the information requirements and expectations of our stakeholders, providing a transparent overview of our overall performance during the period from 01st April 2020 to 31st March 2021.

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 2021.

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

Reporting Standards and Principles

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

Assurance

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

Feedback

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

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

OUR PRODUCTS

The Lanka Milk Foods Group offers a range of dairy and dairy-related products to our valued customer base, relying on a portfolio renowned for its world-class quality and goodness.



Lakspray

With a history of over five decades in nurturing Sri Lankan lives, Lakspray has won the hearts of countless loyal consumers with its creamy milk taste. Being rich in milk proteins, vitamins and minerals, Lakspray promotes the healthy growth of children and the well-being of adults. It is available in multiple pack sizes from 50 g to 1 kg to suit our consumer requirements.

Lakspray Non-Fat, our healthy option for milk powder, is a natural milk powder with its fat extracted. This product caters to the needs of health-focused individuals, and it's available in a 400 g box pack.

Ambewela Dairy Range

Filled with dairy goodness, the Ambewela brand and its products have grown to be the trusted source of dairy nutrition in Sri Lankan households. Ambewela milk, which comes from some of the luscious pasturelands of Sri Lanka's greenest hills, ensures that the milk they produce retains its freshness and quality throughout the entire production process from grass to udder to pack and beyond.

Ambewela Farms is a prime dairy farm complex in Sri Lanka operating under modern farming techniques. Ambewela continuously preserves its brand promise by producing the most nutritious and quality dairy products for our consumers.

Ambewela Full Cream milk and Ambewela Non-Fat milk are UHT processed and aseptically packed in a Tetra brick aseptic pack with a cap to suit the modern lifestyle needs of our liquid milk consumers. These milk packs are available in both 200 ml and 01-litre sizes.



Ambewela Set Yoghurt and UHT Flavoured Milk Pack

Ambewela Products (Pvt) Ltd introduced Ambewela Set Yoghurt in the year 2009. It is an 80 ml cup well known for its' excellent taste, serene colour, fine texture and wholesome value.

Ambewela UHT flavoured milk is available in 150 ml pouch packs, in chocolate and vanilla flavours. It is also a product of Ambewela Products (Pvt) Ltd, Ambewela.



Ambewela Drinking Yoghurt

Lanka Dairies (Pvt) Ltd introduced the 180 ml vanilla flavoured Ambewela yoghurt drink in February 2016. The product has a shelf life of four months without refrigeration and contains no preservatives at all.

Our latest drinkable yoghurt bottle is available in three varieties including vanilla, mango-peach and strawberry. It is a product of Ambewela Product (Pvt) Ltd.



Ambewela Flavoured Milk

Ambewela Flavoured Milk is a product of Lanka Dairies (Pvt) Limited. It is available in 01 litre and 180 ml packs of chocolate and vanilla flavours.

Ambewela KIDDOS

Ambewela Kiddos is a 160 ml flavoured milk pack, tailor-made to suit the palate of Sri Lankan kids, with their nutritional requirements in mind. Its supplemented with essential vitamins required for their growing age. Kiddos is a healthy and convenient solution for parents to meet the daily nutrition requirements of their children at an affordable and competitive price.



Ambewela Goat Milk

Ambewela Goat Milk is a 190 ml ready to drink sterilized goat milk bottle manufactured using the milk of healthy goats raised at our New Zealand Farm, Pattipola.

OUR PRODUCTS



Ambewela Cheese

At Ambewela Farms, we produce four different types of cheese to cater to the varied requirements of our consumers and the hospitality industry.

New Zealand Farm, Pattipola uses a more traditional approach to manufacture cheese. The cheese produced is broadly classified as cottage cheese. Our cheese varieties include Edam, Gouda and Parmesan cheese, in the kinds of ball cheese, blocks, grated and shredded types, and flavours of Plain, Chili, Garlic, Cumin and Pepper.

Ambewela Products (Pvt) Ltd produces cheeses towards the European palate as the company caters to the hospitality sector rather than the domestic market. The varieties manufactured include Edam and Gouda cheese blocks and slices and Ambewela Spread Cheese cup of 100 ml.

Ambewela Butter

Our dairy plant at Ambewela manufactures Ambewela Butter 200 g since December 2014, and it is available in all supermarkets island-wide.



DAILY

Daily - UHT Treated Flavoured Milk is manufactured at Lanka Dairies (Pvt) Ltd Welisara dairy plant using premium quality milk from Ambewela Farms. It was the pioneer dairy product in Sri Lanka to be packed in Tetra Pak using the UHT treatment and aseptic processes.

The product is shelf-stable for six months under ambient temperatures, and it is free of artificial additives or preservatives. Daily is available in 180 ml packs of Vanilla, Chocolate, Strawberry, Banana, Iced Coffee & Faluda flavours. For the Faluda variant, there is a 01 litre take home pack. We export our Daily range to the Maldives, and it is popular amongst the Maldivian youth.

Daily ACTIV

Daily Activ is a UHT Treated Malt Chocolate Food Drink available in a 180 ml milk pack, filled with natural goodness and quality milk associated with our farms. With the right combination of taste and nutritional value, it has become an achievement of Lanka Dairies (Pvt) Ltd. Activ is most popular amongst the youth and is associated with many of their activities and aspirations. It is also exported to the Maldivian market and won the hearts and minds of young Maldivian consumers.



MY JUICEE Fruit Drink

My-Juicee is a ready to drink fruit drink filled with our daily dietary requirements of Vitamin C. It is produced and aseptically packed at Lanka Dairies Welisara factory under extreme hygienic conditions and is available in Apple, Mango, Mixed Fruit and Orange variants. In keeping with international quality standards, it is processed using premium quality fruit pulps and concentrates sourced locally and internationally. My Juicee is available in pack sizes of 180 ml to consume while on the move and 1 Litre as a take-home family pack.

BLU Drink

Lanka Milk Foods (CWE) PLC introduced BLU to the Sri Lankan market in the year 2012. Blu drink is a product of Poland manufactured using the latest technologies and highest water purification procedures, in the most pristine of conditions to guarantee the highest quality standards to consumers worldwide.

BLU is available in 250 ml cans in varieties Regular, Cranberry, Lemon – Lime, and BLU Day.



FINANCIAL HIGHLIGHTS



FINANCIAL
CAPITAL

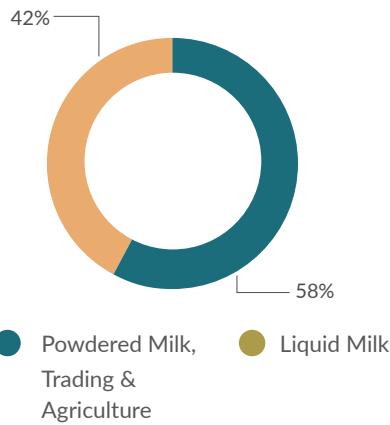
Despite the unprecedented challenges and the implications of the COVID-19 pandemic, the LMF Group recorded its highest consolidated revenue and profit during the year.

For the Year Ended 31 March		Group			Company		
		2021	2020	Change %	2021	2020	Change %
OPERATIONS							
Revenue	Rs. '000	7,597,192	6,703,854	13.33	3,101,450	3,030,915	2.33
Gross Profit	Rs. '000	1,077,218	663,230	62.42	120,289	156,610	(23.19)
Profit from Operations	Rs. '000	876,765	510,809	71.64	269,598	191,521	40.77
Profit before Tax	Rs. '000	833,946	400,368	108.29	307,486	182,385	68.59
Profit for the Year	Rs. '000	841,764	290,663	189.60	293,050	129,936	125.53
Profit Attributable to Equity Holders	Rs. '000	841,842	301,252	179.45	293,050	129,936	125.53
Revenue Per Employee	Rs. '000	10,103	9,121	10.77	10,373	9,970	4.04
FINANCIAL POSITION							
Non-Current Assets	Rs. '000	12,043,575	10,696,789	12.59	8,797,230	8,663,511	1.54
Current Assets	Rs. '000	2,457,575	2,257,454	8.86	1,895,777	1,549,565	22.34
Total Assets	Rs. '000	14,501,150	12,954,243	11.94	10,693,007	10,213,076	4.70
Total Equity	Rs. '000	11,265,999	10,412,933	8.19	10,034,770	9,716,254	3.28
Non-Current Liabilities	Rs. '000	1,799,149	971,784	85.14	86,459	63,695	35.74
Current Liabilities	Rs. '000	1,436,002	1,569,526	(8.51)	571,778	433,127	32.01
Net Assets Attributable to Equity Holders	Rs. '000	11,265,637	10,412,493	8.19	10,034,770	9,716,254	3.28
RATIOS							
Earnings per Share	Rs.	21.05	7.53	179.55	7.33	3.25	125.54
Dividend per Share	Rs.	5.00	2.50	100.00	5.00	2.50	100.00
Dividend Cover	(Times)	4.21	3.01	39.87	1.47	1.30	13.08
Dividend Payout Ratio	%	23.75	33.20	(28.46)	68.21	76.92	(11.32)
Interest Cover	(Times)	8.56	3.63	135.81	14.83	7.14	107.70
Net Assets per Share	Rs.	281.66	260.33	8.19	250.88	242.92	3.28
Market Value per Share	Rs.	150.25	74.00	103.04	150.25	74.00	103.04
Price Earning Ratio	(Times)	7.14	9.83	(27.37)	20.50	22.78	(10.01)
Debt/Equity	%	28.72	24.41	17.66	6.56	5.11	28.38
Return on Equity	%	7.47	2.89	158.48	2.92	1.34	117.91
Return on Total Assets	%	5.80	2.24	158.93	2.74	1.27	115.75
Gross Profit Ratio	%	14.18	9.89	43.38	3.88	5.17	(24.95)
Net Profit/(Loss) Ratio	%	11.08	4.34	155.30	9.45	4.28	120.79
Current Ratio	(Times)	1.71	1.44	18.75	3.32	3.58	(7.26)
Liquid Ratio	(Times)	0.87	0.79	10.13	2.55	2.75	(7.27)



FINANCIAL CAPITAL

11,266
Rs.Mn
Net Assets



7,597
Rs.Mn
Group Revenue



HUMAN CAPITAL

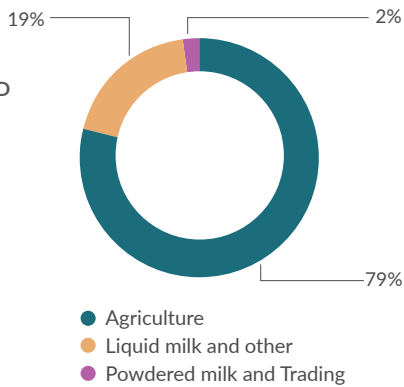


752
Nos.
Total Employees

10
Rs.Mn
Revenue per Employee



MANUFACTURED CAPITAL



1,425
Rs.Mn
Capital Expenditure

3,050
Rs.Mn
PPE



A herd of brown and white cows is grazing in a lush green field. In the background, several wind turbines are visible on a hillside under a clear blue sky. The scene is bright and sunny, with scattered trees and a clear horizon.

Practises that Sustain

MANAGEMENT REVIEW

CHAIRMAN'S MESSAGE



LANKA MILK FOODS GROUP HAS REINFORCED ITS POSITION AS A LEADER IN THE SRI LANKAN DAIRY INDUSTRY

Dear valued stakeholder,

It gives me great pleasure to present to you an integrated perspective of the Group's performance, and the audited results for the 2020/21 financial year. The year under review saw us set new benchmarks in performance, with the Group recording the highest ever profitability and revenue in the history of its operations. The annual report you hold details the strategies, activities, and structures that enabled us to achieve these exceptional results, particularly in the wake of the COVID-19 pandemic, while elaborating on the Group's direction in the years ahead.

Operating Environment

The COVID-19 pandemic deeply impacted many individuals and corporates across the world. As a means of preventing the spread of COVID-19, restrictions in terms of mobility and various other containment measures were implemented across the globe as well as locally. In parallel with the resulting global economic downturn induced by the pandemic, the Sri Lankan economy faced a contraction of 3.6% in 2020, leading to the deepest recession faced by our nation since it gained its independence.

Industry activities experienced a sharp contraction during the year, primarily due to a significant slowdown in areas of construction and manufacturing. This trend was seen across the Services sector as well, driven by a pandemic-induced deceleration in transportation, accommodation, food and beverages, and other personal services. Similarly, the Agriculture sector saw a contraction in the year under review as the positive influences of timely policy support and favourable weather were unfortunately overshadowed by the implications of the pandemic.

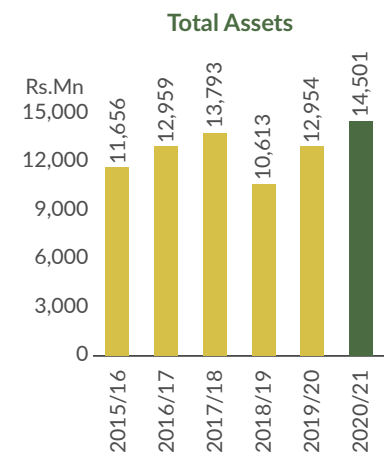
Group Performance

Lanka Milk Foods Group has reinforced its position as a leader in the Sri Lankan dairy industry, as evidenced by the continuous growth which saw us achieve the highest ever revenue, with a turnover of Rs. 7.6 billion for the year ending 31st March 2021, a growth of Rs. 893 million over the previous fiscal year.

Despite the turbulence we had to face during the period, Lanka Milk Foods Group recorded its highest ever gross profit of Rs. 1,077 million, a 62% increase in comparison to the performance of 2019/20. In addition to this, we also achieved triple that of last year's Profit After Tax (PAT), with a result of Rs. 842 million for the financial year.

D. H. S. Jayawardena
Chairman

Our milk, as of today, is the cleanest in the country, on par with world standards.



199.99

Rs.Mn

Dividend payout proposed

CHAIRMAN'S MESSAGE

With the goal of satisfying current consumer needs, our new project, United Dairies Lanka (Pvt) Ltd focuses on increasing the herd and the quality of milk within our farms.

Our Recipe for Success

The Lanka Milk Foods (CWE) PLC Group has developed a sustainable business model through decades of fine-tuning our products until they reach the ideal combination of wholesome goodness and nutrition, flavor appeal, and hygiene. We take pride in being known as a reputable firm that nourishes the nation with sustainable nutritional products.

Our milk, as of today, is the cleanest in the country, on par with world standards. Our pristine dairy farms are the foundation of our success, achieving the greatest average milk production in the country that meets worldwide standards. Our Ambewela natural cheeses have captured the market, and are manufactured and processed to international standards using the highest quality milk produced on our farms. Our Ambewela Fresh Milk and yoghurt leads the market in terms of quality and goodness, and these are the Group's most popular products.

Furthermore, we have recently introduced a new yoghurt drink bottle to the market in mango-peach, strawberry, and vanilla flavours, produced under the company Ambewela Products (Pvt) Limited.

Manufactured using the best fruit pulps, the Group's fruit juice product MyJuicee is currently the best in the market in terms of quality and value. Our Daily and Ambewela flavoured and fresh milk ranges have extended beyond our shores to achieve international recognition, and are now household names in the Maldives.

Our journey towards self-sufficiency in milk production

Here, at Lanka Milk Foods Group, we continue to strive towards increasing self-sufficiency in fresh milk production. At present, there is a clear shift in demand towards liquid milk as opposed to powdered milk, and we hope to meet this consumer demand moving forward. Our farms produce milk to an international standard. Unfortunately, at present; we cannot meet the rising demand for fresh milk.

Therefore, with the goal of satisfying current consumer needs, our new project, United Dairies Lanka (Pvt) Ltd focuses on increasing the herd and the quality of milk within our farms. Our new company is sited in both Ambewela Farm and Pattipola Farm and will comprise of most modern cattle sheds with environmental control for better cow comfort and health and this will be home for 2000 cattle in future. This complex will be equipped with Automated slurry removal and floor cleaning

system, State-of-the-Art latest digitally controlled milking parlours where each cow is identified for the quantity of milk recorded, and in case of unhealthy cows, mastitis, early lactation, etc are diverted and milk collected separately. The slurry processing system separates the dry matter which is bio-fertilizer and separates liquid spread within farm grass field. This project is environmentally friendly and all rainwater is used internally and no discharge to outside the farm. We have planned for the best breeds of animals to be used on this new farm to produce high-quality milk.

Currently, policymakers are restricting the import of milk powder to save foreign exchange. This project will facilitate the reduction of the quantity of imported milk powder, replacing it with the best fresh milk available in Sri Lanka. This will in turn produce unmatched benefits to the country including valuable foreign exchange while enabling the nourishment of our people, and simultaneously providing good returns to our shareholders.

Future Outlook

As in the past, our continued focus remains on prioritizing our stakeholders and their needs. Our forward-thinking approach continues to be governed by this principle, even as we explore mechanisms of strategic expansion, quality improvement, and self-sufficiency in milk production.

As we focus on addressing the challenges of the prevailing pandemic and its effects, we strive to uphold our record of continuous value delivery – ensuring that the right mechanisms are

14,501

Rs.Mn

Total Assets

11,266

Rs.Mn

Shareholder Funds

in place to face any potential adversity. In addition, we pledge to maintain our tried and tested standards of excellence in terms of hygiene and safety, ensuring staff and consumer welfare above all.

Appreciations

My sincere appreciation and gratitude go out to the entire team at Lanka Milk Foods, including my fellow directors, the senior management, sales team, farm management, and entire staff for momentous achievement despite all prevailing challenges in the country in what could only be described as a year of chaos and turmoil. Their constant determination and commitment are the source of our strength, and I would like to commend their farsighted thinking and tireless dedication which without a doubt were the primary contributors to this year's powerful performance.

I also thank our valued stakeholders for their steadfast partnership and faith in us. Your continued loyalty helps us stay steadfast even amid uncertain times. We look forward to yet another fruitful year of collective progress in the coming year.

Without the support of our loyal customers, all our efforts would be in vain. Our customers are at the forefront of all we do, and we are deeply grateful for their continuing support and encouragement. We will continue to provide the very best products produced to the highest hygienic standards and look forward to our continuing journey together in the years ahead.

Thank you,



D. H. S. Jayawardena

03rd September 2021

DIRECTOR'S REVIEW



OUR FOCUS HAS ALWAYS BEEN ON MEETING EVERY STAKEHOLDER'S NEEDS AND FOUNDED ON THIS PRINCIPLE, WE PLEDGE TO HAVE A RANGE OF STRATEGIES IN PLACE TO FACE THE NEW NORMAL.

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to cordially present to you the 39th Annual Report of Lanka Milk Foods (CWE) PLC. I am pleased to report that despite the debilitating impacts of a global pandemic, the Group was able to deliver a stellar performance; recording an impressive earnings growth of 190% to record a profit after tax of Rs.842 million for the 2020/21 financial year.

We continue to make strides in achieving our mission of reaching self-sufficiency in terms of national milk production, with the Group augmenting the country's dairy production by 10.3 million litres of milk in the past year. We strive to further engage in enhancing and building our capacity to boost milk production, relying on the support of our newly formed company United Dairies Lanka (Pvt) Ltd, and the excellent animal care practised at all our farm locations to achieve this goal.

Group Performance

Amid an extremely challenging environment, Lanka Milk Foods (CWE) PLC went on to attain the highest revenue in the Group's history, recording a total revenue of Rs.7,597 million in the year under review. The top-line growth of 13% contributed towards this extraordinary achievement, driven primarily by our popular fresh milk,

yoghurt and flavoured milk products. Furthermore, a number of factors including capacity utilization, cost efficiencies and lower finance costs contributed towards the Group's phenomenal growth in earnings for the year ended 31st March 2021, leading to a profit of Rs.842 million, adding yet another record performance to our books.

These achievements are undoubtedly a reflection of the professionalism and determined spirit of our team, in addition to our continued commitment towards quality, innovation, and timely delivery; an amalgamation of strengths that continue to drive our growth.

The strength of our balance sheet improved significantly during the year, with net assets increasing from Rs.10,413 million to Rs.11,266 million, due to retained profits causing an increase in equity. Furthermore, strong cash flow levels enabled repayment of Rs.384 million concerning interest-bearing liabilities.

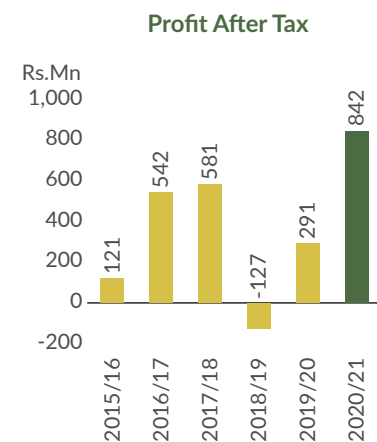
Company-wise Performance

Amid the COVID-19 pandemic Lanka Dairies (Pvt) Limited and Ambewela Products (Pvt) Limited produced increased revenues of Rs. 3.2 billion and Rs. 2.2 billion respectively. Lanka Milk Foods (CWE) PLC recorded a profit of Rs. 293 million as against Rs. 130

C. R. Jansz

Director

Despite the debilitating impacts of a global pandemic, the Group was able to deliver a stellar performance.



+12%
Total assets growth

DIRECTOR'S REVIEW

million of the previous year due to the impact of increased dividend income and other finance income. The revenue of the Company increased from Rs.3,031 million to Rs.3,101 million, modest growth in comparison to the revenues and profits in the liquid milk segment which displayed a far more desirable level of growth.

In terms of brand execution, our much-loved range of 'Ambewela' products exhibited an excellent performance across the board. Fresh milk, yoghurt and flavoured milk were the key contributors to the growth we enjoyed in the liquid milk sector, recording the highest volume and revenue growth this year. However, it is unfortunate to note that the pandemic negatively impacted the revenue from exports at Lanka Dairies (Pvt) Limited, owing to the resulting delay in executing export orders.

Revenue from fresh milk production displayed a much-desired increase, thanks to our efforts to increase milk production in all our farms. The profit from operations in the agriculture segment also reported an increase of Rs. 14 million compared to the loss of Rs. 110 million in the year prior. We are heartened to note that our continuous efforts towards maintaining the well-being of our herd, while ensuring their good health and productivity through best feed management practices have paid off, enabling us to reach a higher milk output for the year.

Operating amid the New Normal

Since the beginning of the lockdown in March 2020, the LMF Group had to ensure plans and strategies were in place to ensure continuity in the absence of norms. Despite the several restrictions we had to face, the Group was able to ensure seamless operations without the

loss of a single litre of milk. We decided to recommence our sales operations within two days of the lockdown being imposed without shutting down our warehouses, regardless of the significant costs involved.

In order to ensure consumer needs were met, inventory was moved to distributor partners in various provinces, and delivery was facilitated through door-to-door operations, thus enabling ease of access to essential items and products throughout. This initiative served two primary objectives; namely to accelerate sales, and tap into new customer segments.

Health & Safety

The LMF Group has always prioritized the health and safety of our employees, and this year has been no different. Amid rising health concerns, we continued to provide a safe workspace for our staff, working alongside local health authorities to implement stringent health and safety protocols that we continued to reinforce throughout the year.

These actions enabled the Group to minimize preventable disruptions to our activities, enforcing continuous production throughout the year while upholding the safety and health of our employees.

A Commitment to Excellence

Our products are designed to nourish and nurture the people, created with their needs foremost in mind. As such, every product is manufactured to uphold the highest quality standards, relying on cutting-edge machinery and equipment to ensure the consumers' health and hygiene.

The 'Ambewela' brand continues to be a staple of many households, established as a product that symbolizes quality, nutrition, hygiene and overall excellence. The 1 litre UHT pack maintains its popularity among a growing market, even as the consumer demand for liquid milk continues to rise; while Ambewela yoghurt and Ambewela artisan and other cheeses display a growing demand. The widely popular flavoured milk 'Daily' possesses a loyal market share, and is firmly established as a brand loved by thousands of Sri Lankans across the island.

Strengthened by three dairy farms, namely Ambewela Dairy Farm, Pattipola Dairy Farm and the Ambewela Product Dairy Farm, the Group continues to drive production mechanisms synonymous with quality and hygiene. These farms are home to over 3,600 cattle, and all three locations extend opportunities for university undergraduates to engage in practical training, primarily concerning those pursuing agricultural degrees. Here, European breeds of black and white Friesians and brown and white Ayrshires generate an average of 26 litres of milk per cow per day – the highest average milk production per cow Sri Lanka has to offer.

Sustaining these levels is no easy feat, and we thank our South African Dairy expert Mr. Jacques Du Plessis for his continued expertise and instruction in terms of ensuring the upkeep and well-being of our herd, while further increasing their output. Based on this knowledge, we continue to supply optimized conditions and high-quality food supplements to ensure the herd's good health and productivity at all times.

1,077

Rs.Mn

Gross Profit

877

Rs.Mn

Profit from Operations

Future Outlook

Built on our inherent strengths of customer-centricity and forward-thinking, we are confident that the Lanka Milk Foods Group is poised to deliver results even amid a future of uncertainty. Our focus has always been on meeting every stakeholder's needs and founded on this principle, we pledge to have a range of strategies in place to face the new normal.

A Holistic Focus

Ours is a model of holistic value; built on values of sustainability and community welfare. Lanka Milk Foods is deeply linked with the environment, and therefore our steadfast commitment lies in protecting the resources that sustain us. In engaging with our community through various outreach programmes and initiatives, we touch the lives of many individuals in our surrounding areas and play a part in uplifting their way of life.

Our partnerships continue to drive our growth and success, and stakeholder satisfaction remains our topmost priority in any eventuality. Therefore, we continue to aim our efforts towards seeking out the areas that are material to them; continuously improving our mechanisms to serve them better.

Appreciations

At this point, I would like to extend my heartfelt thanks to the Chairman, for his visionary leadership and direction amid the debilitating challenges of the year under review. I thank my fellow directors for their unstinted support and strategic insight, which enabled us to achieve incredible results. My appreciation goes out to the entire team including the Group CEO, the Group CFO, the Director Operations, the senior management and employees at all levels of the organization whose dedication and untiring work ethic enabled a powerful performance during the year. My thanks go out to our customers for continuing to trust in us, whose steadfast loyalty is the bedrock of our success. We pledge to uphold our promise of quality and exceptional value well into the years ahead. I thank the shareholders for their unwavering support amid turbulent times and appreciate your every contribution towards our journey of success.

Thank you,



C. R. Jansz

03rd September 2021

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE



I AM DELIGHTED TO ANNOUNCE THAT THE GROUP IS VERY CLEARLY ESTABLISHING ITS POSITION AS THE MOST ADMIRABLE AND THE BEST DAIRY COMPANY IN SRI LANKA.

M. Dahanayake
Group Chief Executive Officer

Dear employees, shareholders, and stakeholders,

Records are made to be broken ! I am delighted to announce that the Group is very clearly establishing its position as the most admired and the best dairy company in Sri Lanka, as evidenced by the continuous growth that led us to achieve the highest ever revenue once again. I am proud to report that the Group recorded a turnover of Rs. 7.6 billion for the year ending 31st March 2021, a Rs. 893 million increase, and a healthy growth of 13.3% over the previous year. Also, this result is a significant growth of 41% over the 2018/19 financial year, an 18% CAGR in terms of revenue.

It is worth highlighting that even amid the trials of the year, the Lanka Milk Foods Group achieved a Gross Profit of Rs. 1,077 million, a 62% increase against the previous year. Furthermore, the Group recorded the highest ever Profit After Tax (PAT) of Rs. 842 million for the financial year, almost tripling last year's achievement.

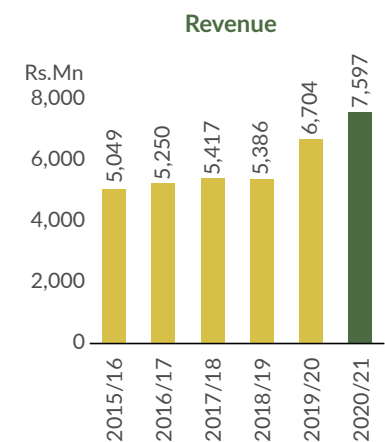
Business Performance

Leading the way in the dairy industry, the brands 'Ambewela' and 'Daily', which are trademarks of Lanka Dairies (Pvt) Ltd (LDL), did a splendid job in terms of recording an 8% growth for the year despite the challenges forced by the pandemic and the lockdown of trade activities.

In line with our goal to achieve national self-sufficiency in milk production, the company successfully managed to manufacture and sell over 15 million litres of fresh milk and milk-related products during the year. The continuous improvements towards numeric and weighted distribution were gained through the solid plans laid by the sales team, which were in turn immensely beneficial towards the Group's overall results. In addition, the contribution made by the fine-tuning of supply chain efficiencies towards the final PAT growth is another significant achievement that took place during the year.

Ambewela Products (Pvt) Ltd (APL), the leading manufacturer of Ambewela Yoghurts, Cheese and Butter, also recorded its highest-ever revenue in terms of a 37% growth over the last financial year. During the reporting year, the company's Gross Profit was also increased. These achievements stand as a significant contribution to the Group's powerful performance in the year under review. All this was made possible through an increase in the numeric distribution of yoghurt, particularly with the appointment of new distribution partners island-wide, which in turn enabled the product to reach all regions of Sri Lanka during the year. Furthermore, we have strengthened the Modern Trade (MT) Distribution channel via introduction of a new MT service provider to our operations, thus maintaining and achieving higher

It is worth highlighting that even amid the trials of the year, the Lanka Milk Foods Group achieved a Gross Profit of Rs. 1,077 million.



+13.3%
Revenue growth

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE

standards of yoghurt availability and visibility in the supermarket sector in the Western Province. We aim to expand to the rest of the island in the near future.

The powdered milk segment in the country continued the struggles due to controlled retail pricing imposed by the CAA (Consumer Affairs Authority). In addition, the highest-ever world market price recorded in the year attributed to an increase in demand in the global market, resulted in very low profit growth for many organisations. The Group recorded a negative volume growth for the powdered milk segment and with the help of other trading brands (Happy cow and Red Bull) reached a revenue of Rs. 3.1 billion which is a 2.3% growth.

As I mentioned in my review last year, the consumer shift towards liquid milk is increasing, and the demand for FCMP (Full Cream Milk Powder) displays a declining trend. A note to remember is that the current liquid milk production in Sri Lanka is low and is unfortunately subduing and delaying the shift. The cost of manufacturing liquid milk is also relatively high at present, primarily due to the high cost of animal feed.

The three farms at Ambewela produced over 10 million litres of milk during the year – a 20% yield increase over last year's output. However, we are heartened to note a remarkable improvement in operations in comparison to the past, as the farms managed to break even in terms of profits during this year. This was enabled by the careful management of our herds, in maintaining both feed and pregnancies on par with international standards.

Our herd at the three dairy farms at Ambewela and Pattipola are well tended to and kept in excellent condition while being fed with premium quality cattle feed to international standards. We have allocated the best dairy experts towards this cause, and a dedicated team provides the best cow comfort and world-class levels of farm management. At present, our farms are home to a herd of over 3,600 animals.

COVID-19 Response

The continuing impacts of the COVID-19 pandemic are felt across the globe, challenging businesses, livelihoods and economies alike. Here at Lanka Milk Foods, we believe in ensuring business continuity and uninterrupted value creation, and as such, we relied on a combination of vision, strategy, partnerships and industry expertise to deliver nutrition to our loyal customers throughout this challenging time. Through it, all, hygiene, safety and the well-being of our employees were of paramount importance in our daily operations.

As we continued to advance towards meeting national self-sufficiency in fresh milk production, our dedication and commitment ensured that not a single litre of milk was lost, even in the face of the restrictions imposed during the pandemic. Our strategy to move inventory towards distributor partners in various locations and deliver products from door-to-door enabled us to fuel performance and serve the people with a range of natural, locally sourced products.

Today, as we look towards an uncertain future, we are built to face any eventuality, delivering uncompromised quality, hygiene and nutrition with a fully-fledged range of products designed for the times.

Future Outlook

The Ambewela brand performed admirably post re-launch, with a volume gain of over 15% recorded during the year. We will continue to innovate and invest in launching new products under this much-loved brand and look forward to introducing at least two new extensions to the popular milk and yoghurt range.

The newly revamped look of the brand 'MyJuicee' enabled a boost in sales, successfully capturing additional market share following its re-launch. The new advertising campaign was reported as outstanding according to consumer insights, and we anticipate our new approach will do justice in terms of encouraging more sales in the future.

'Daily', a very consistent brand with a loyal customer base, continues to grow, and we have in place long-term plans and strategies to transform it into a far more impactful, significant contributor in the Group's portfolio.

Our new project to increase milk production at our farms will ensure that we make strides in our journey to reduce the quantity of imported milk powder and replace it with the best fresh milk that the country can offer, thereby saving valuable foreign exchange and nourishing our people, while at the

7,597

Rs.Mn
Revenue

842

Rs.Mn
Profit After Tax

same time providing good returns to our shareholders. The project is to be completed by the end of this year and is projected to add another 5 million litres of milk to the system by the end of 2022. This BOI approved project will be one of the ever-highest investments in Sri Lanka dedicated to developing the dairy industry. Following the completion of this project, United Dairies Lanka (Pvt) Limited and the other three farms operated by the LMF Group together will be among the top farms in the world, a feat we can be very proud of as Sri Lankans.

I believe that the obstacles we encounter present us with far greater possibilities, and offer us more opportunities for progress. The Group has taken the necessary steps to enhance its milk output while further extending its manufacturing lines to meet future customer demand. The additional yoghurt production line we have

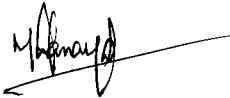
installed at Ambewela Products (Pvt) Limited is a classic example, which will enable us to double our returns soon.

Appreciation

I would like to place on record my gratitude to the Chairman and Board of Directors for their direction and support, as well to as the senior management team and all staff members for their hard work and helpful co-operation throughout the year.

Finally, I want to express my heartfelt gratitude to our loyal customers for their unwavering faith in our products, and I am convinced that in the years ahead, we will be able to offer far greater results to all of our stakeholders.

Thank you,



M. Dahanayake

03rd September 2021

BOARD OF DIRECTORS

WE REMAIN CONFIDENT
IN OUR INHERENT
STRENGTHS & RESILIENCE.



Mr. D. H. S. Jayawardena
Executive Chairman



Mr. C. R. Jansz
Executive Director



MS. D. S. T. Jayawardena
Executive Director



Ms. D. S. C. Jayawardena
Executive Director



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



Dr. A. Shakthevale
Independent Non-Executive Director



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

Mr. D. H. S. Jayawardena
Executive Chairman

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

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

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

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

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

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

BOARD OF DIRECTORS

Ms. D. S. T. Jayawardena Executive Director

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

She marks several milestones for Aitken Spence PLC, Aitken Spence Hotel Holdings PLC and Browns Beach Hotels PLC as the youngest board member and as the first female member on the board. Jayawardena heads the tourism sector of Aitken Spence PLC inclusive of hotels, destination management and overseas travel.

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

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

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

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

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

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

Ms. D. S. C. Jayawardena Executive Director

Ms. Sanjivani Jayawardena was appointed to the Board of Lanka Milk Foods (CWE) PLC on 15th October 2008.

She is also a Director to the Boards of Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products(Pvt) Ltd., Indo Lanka Exports (Pvt) Ltd. and United Dairies Lanka (Pvt) Ltd.

Mr. D. S. K. Amarasekera

Independent Non-Executive Director

Mr. Kamantha Amarasekera was appointed to the Board of Lanka Milk Foods as an Independent Director on 01st May 2008. Mr. Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He also holds a degree in Business Administration from the University of Sri Jayawardenapura and began his career in the year 1998.

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

He is also a Director to the Boards of United Dairies Lanka (Pvt) Limited, Balangoda Plantation PLC., Madulsima Plantations PLC., Browns Investments PLC., Kelani Tyres PLC., Eden Hotel Lanka PLC., Palm Garden Hotels PLC., Ceylon Hotels Corporation PLC, and Agstar PLC.

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 to the Boards of United Dairies Lanka (Pvt) Limited, Madulsima Plantations PLC and Balangoda Plantations PLC as well.

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

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

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

**SRI LANKA'S
PREMIUM
MILK**

Nutrition that Protects

MANAGEMENT DISCUSSION & ANALYSIS



99.9%
FAT FREE

AMBEWELA



SRI LANKA'S
PREMIUM
MILK

**NON-FAT
MILK**

මේදය රහිත

100ml

AMBEWELA



SRI LANKA'S
PREMIUM
MILK

**FRESH MILK
FULL CREAM**



MANAGEMENT DISCUSSION & ANALYSIS

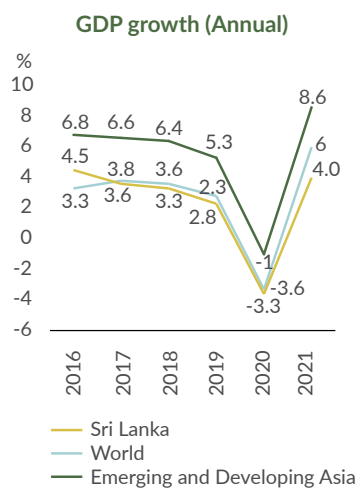


OPERATING ENVIRONMENT

The Sri Lankan economy encountered complex challenges during the year. The socioeconomic impact of the spillovers of the COVID-19 pandemic led to a decline in local activity, while impeding progress for a short period of time. However, an appropriate response to the disruptive forces to the economy will undoubtedly enable Sri Lanka to regain its stance, and record a higher GDP growth in the years to come.

GDP growth

Sri Lanka's GDP growth contracted to 3.6% in year 2020, recording its deepest recession since its independence in 1948. This was primarily attributable to



Source - Annual Report 2020 - Central Bank of Sri Lanka
World Economic Outlook - APR 21

the global economic downturn induced by the pandemic, as well as the mobility restrictions and containment measures imposed both locally and internationally with a view of preventing the spread of COVID-19.

Industry activities recorded a significant slowdown, particularly with respect to construction and manufacturing activities. The services sector also registered a notable contraction due to pandemic-driven deceleration in tourism, transportation, personal services, accommodation, and food and beverages services. Additionally, the agriculture sector too listed a contraction during the year, as the impact of the pandemic outweighed the positive effects of the sector. However, the government efforts in enhancing food security and food



self-sufficiency will greatly benefit the country in the long run. In view of the measures taken at present to combat the pandemic, the IMF projects Sri Lanka's GDP to reach 4% in the year 2021.

Exchange Rate

Exchange Rate - USD to LKR



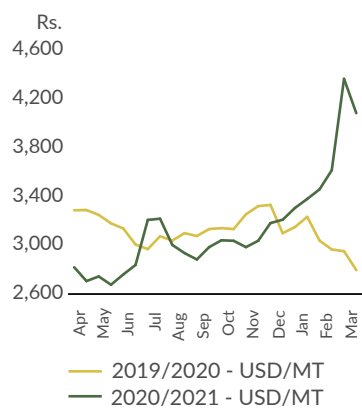
The annual depreciation of the Lankan Rupee was recorded at 2.6 per cent against the US dollar as at the end of 2020.

Compared to 2019/2020, US Dollar exchange rate remained highly volatile during the beginning and end of the financial year.

Foreign exchange inflows were suppressed as a result of the epidemic, placing pressure on the exchange rate, which was mostly curtailed through limitations on foreign exchange outflows.

Full Cream Milk Powder Market

Changes in Full Cream Milk Powder Prices



Source - Annual Report 2020 - Central Bank of Sri Lanka Global Dairy Trade

Despite the intermittent price changes during the year, the price of milk powder increased primarily in the fourth quarter of the year, in comparison to the previous year. According to the CBSL,

approximately USD 334 million was spent on imported dairy products in the year 2020.

Imported milk powder prices remained unchanged throughout 2020, whereas the price of local milk powder increased from Rs. 345 to Rs.380 per 400g packet with effect from 28 April 2020, on par with the price of imported milk powder.

Dairy Industry

Output in the domestic livestock sector faced a decline in the year 2020, apart from the area of milk production. According to the estimates of the Department of Census and Statistics, the total national milk production increased notably by 9.8 per cent year-on-year, to reach 492 million litres in 2020. The increase in production was attributed to farmers receiving attractive prices for raw milk, as well as the growing demand for raw milk from milk collectors and part-time farmers being actively involved in animal rearing during the pandemic period. The average cost of production of a litre of milk significantly increased due to increase in feed cost.





In terms of future outlook, in order to recover from the present-day sluggish levels of productivity, the Sri Lankan economy requires dedicated and proactive policy measures encompassing growth in all sectors in order to reach sustained economic growth.

MANAGEMENT DISCUSSION & ANALYSIS

STAKEHOLDER ENGAGEMENT

The Lanka Milk Foods Group continued to engage with its stakeholders, continuously responding to the rapidly evolving needs and dynamics during the year under review. Our dedication to providing quality products and uphold the trust placed in us by our loyal consumers remains unchanged, and we are presently expanding our distribution channels to ensure seamless delivery and connectivity with our customers. The safety and welfare of our employees continued to be a priority amid an uncertain year, all while maintaining supplier relationships through timely payments and industry level prices, particularly concerning agricultural suppliers and farmers. We are committed to improving and enhancing shareholder value, promising even better returns to our capital providers in the years to come.

Stakeholder	Our Employees	Our Customers	Providers of Capital
			
Stakeholder Concerns	<ul style="list-style-type: none"> • Benefits for self and family • Career growth • Competitive remuneration packages • Financial and non-financial motivation • Healthy and happy work environment • Incentives and promotions to suit performance • Job security • Work-life balance 	<ul style="list-style-type: none"> • Availability of products • Healthy and safe products • Price • Quality • Taste • Value and satisfaction for money spent 	<ul style="list-style-type: none"> • Opportunity cost • Profitability and performance of the entity • Proper risk management • Return for the investments and risks taken • Sustainability and growth of the entity
Mode of Communication	<ul style="list-style-type: none"> • Staff meetings • Discussions • Training programs • Recreational activities • Internal communication methods 	<ul style="list-style-type: none"> • Corporate Website • Social Media • Consumer helpline • Group website 	<ul style="list-style-type: none"> • Announcements made to CSE • Annual General Meeting • Extraordinary General Meetings • Group website • Interim financial statements • Publication of the Annual Report
Our Response	<ul style="list-style-type: none"> • Providing safe, supportive living and working conditions • Including family friendly policies • Shared values and objectives • Effective communication systems throughout the organization 	<ul style="list-style-type: none"> • Providing nutritious, quality products, high in taste • Making our products available and easy to reach • Innovation of new product • Reasonable competitive prices • Foods safety and quality management 	<ul style="list-style-type: none"> • Corporate Disclosures • Dividends paid for investments • Sustainable operations

<p>Government and Regulators</p> 	<p>Distributors and Retailers</p> 	<p>Local & International Suppliers</p> 	<p>Community and Environment</p> 
<ul style="list-style-type: none"> • Compliance • Ethical business practices • Support when required to conduct audits etc. 	<ul style="list-style-type: none"> • Distributor and retailer margins • Satisfactory incentives for performance • Profitability of entity's operations 	<ul style="list-style-type: none"> • Payments made on time • Growth in operations • Efficient communication 	<ul style="list-style-type: none"> • Being a socially responsible entity • Community development • Employment opportunities • Ethical business operations
<ul style="list-style-type: none"> • Interactions with local authorities • Meetings and consultation visits • Press releases • Prompt and full payment of taxes 	<ul style="list-style-type: none"> • Regular interactions through sales team • Distributor meetings • Evaluations and monitoring performance • Rewards and recognition for performance • Distributor agreements 	<ul style="list-style-type: none"> • Meetings • Supplier visits • Fair procurement practices 	<ul style="list-style-type: none"> • Ongoing CSR activities • Press releases • Advertisements
<ul style="list-style-type: none"> • Adherence to regulations related to products and industry • Respecting and complying with local, national and international law • Responsible business operations through transparency in activities 	<ul style="list-style-type: none"> • Maintaining rewarding partnerships with the distributors • Efficient communication • Providing competitive incentive schemes 	<ul style="list-style-type: none"> • Focused Supply Chain • Best procurement practices and prompt payments • Fair treatment • Ethical sourcing of material • Providing adequate lead times 	<ul style="list-style-type: none"> • Environmentally responsible business operations • Support of social infrastructure • Providing training opportunities for agriculture graduates and undergraduates.

MANAGEMENT DISCUSSION & ANALYSIS



FINANCIAL CAPITAL

7,597

Rs.Mn

Revenue

877

Rs.Mn

Profit from Operations

842

Rs.Mn

Profit After Tax

199.99

Rs.Mn

Dividend Pay-out

Relevant SDGs:



“Regardless of the unexpected challenges that prevailed throughout the year, the Group’s constant focus on cost management, proactive working capital management and strategic agility enabled Lanka Milk Foods to nurture Group profitability, thus sustaining the Group’s financial capital while delivering shareholder value.”

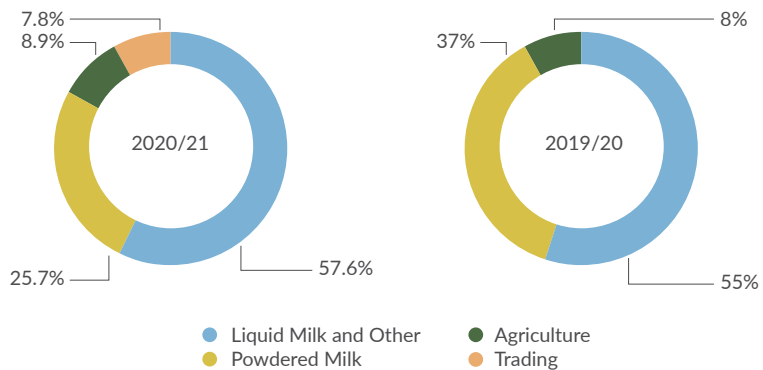
The LMF Group achieved an unprecedented consolidated revenue of Rs. 7,597 million for the reporting year as against Rs. 6,704 million in the previous year and a net profit of Rs. 842 million after tax. A dividend pay-out of Rs. 199.99 million is proposed for the year.

Revenue

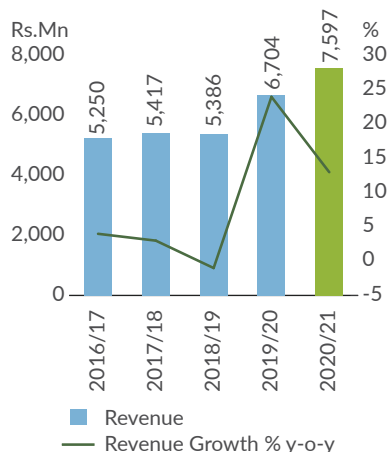
LMF recorded a consolidated revenue growth of 13% to Rs.7,597 million during the year, driven both by liquid milk and trade business segments. Growth in the liquid milk segment reflected an increased

volume growth with respect to Ambewela Fresh milk with yoghurt exhibiting an increased market share. Accordingly, the liquid milk sector’s contribution to the Group’s top line widened to 58% from 55% in previous year. The distribution of Happy Cow cheese and Red Bull energy drink enabled the generation of an additional revenue of Rs. 726 million to compensate the revenue loss of 11.5% in the powdered milk segment. From FY 2016/17 to FY 2020/21, the Group recorded a 20% CAGR in terms of revenue.

Revenue Composition



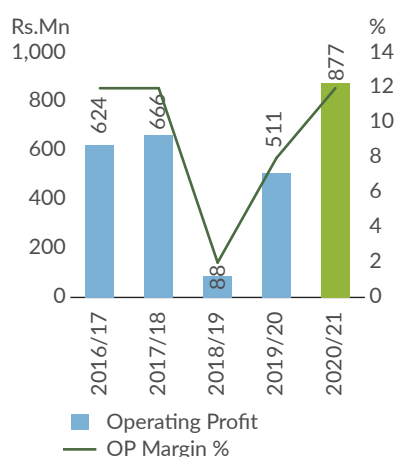
Revenue Growth



Operating Profit

The consolidated gross profit for the reporting year increased to Rs. 1,077 million, while the gross profit margin widened compared to the previous year. At an operating profit level, the Group performed admirably, recording a growth of Rs. 366 million to Rs. 877 million. The liquid milk segment operating profit margins increased with capacity expansion in yoghurt production and standardisation of re-launching overheads of the Ambewela range in previous year.

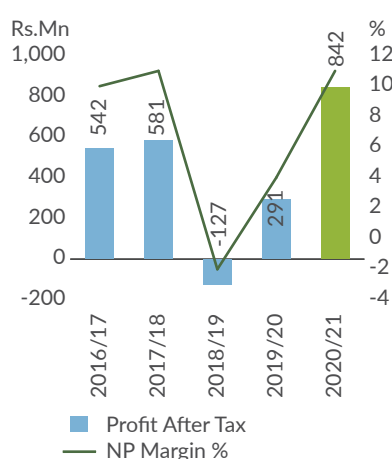
Movements in Operating Profit



Profitability

The Group's net finance expenses decreased to Rs. 43 million (2019/20: Rs. 110 million) as a result of increased finance income. Rs. 39 million, a reduction of 41% stemming from the 53% decrease in bank overdraft. The improved performance enabled the Group to record a pre-tax profit of Rs. 834 million, a 108% growth compared to last year. The Group's total tax for the year was a reversal of Rs. 8 million, a decrease of 107% stemming from the positive impact on deferred tax from rate change and deferred tax credit for the year. The bottom-line consolidated profit after tax widened further 190% to Rs. 842 million during the year.

Movements in Profit After Tax



Cash Flow

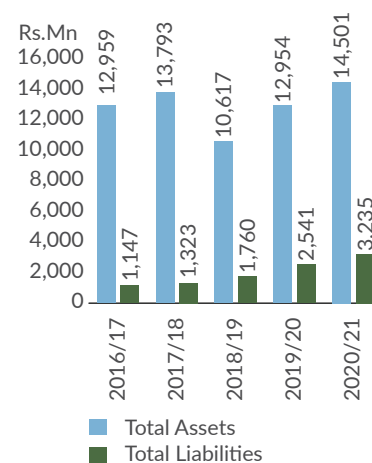
The cash flow position of the Group improved during the year, due to the effective management of working capital as well as inflows from new borrowing. Net operating cash flow increased to Rs. 486 million during the year, while net cash outflow from investing activities amounted to Rs. 738 million, primarily due to the purchase and construction of

PPE. Meanwhile, net cash inflows from financing activities amounted to Rs. 1,056 million (2019/20: Rs. 19 million in previous year) reflecting additional borrowings of Rs. 1,575 million obtained to fund capital expansions in Ambewela. Resultantly, net change in cash and cash equivalents amounted to a positive Rs. 804 million compared to decrease of Rs. 489 million in last year.

Group Assets

The Group continues to record consistent asset growth reflecting of the ongoing investment in PPE. The Group's total assets as of 31st March 2021 was an increase of 12% to Rs. 14.5 billion with the agriculture segment recording a growth of 61% in assets. Total capital expenditure for the year amounted to Rs. 1.4 billion mainly comprising the investment in the new dairy farm.

Asset Strength



MANAGEMENT DISCUSSION & ANALYSIS



Asset Composition

The Group’s asset composition remained relatively unchanged with non-current assets accounting for 83% of total assets as at the end of 31st March 2021.

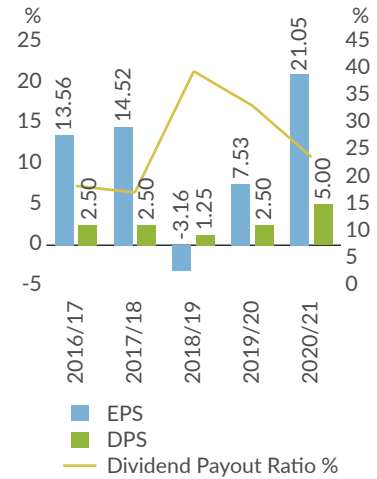
Funding Profile

Debt funded capacity expansions in recent years have led to an increased exposure in borrowings. The Group’s interest coverage remains at 8.56 times.

The total borrowings demonstrated an increase of fourfold to Rs. 1,547 million, displaying the Group’s aspirations to grow. The total equity amounted to Rs. 11.27 billion, accounting for 78% of the total assets.

Shareholder Returns

The Group continued to deliver on shareholder commitments with an EPS and DPS growth of 180% and 100%.



A first and final dividend of Rs. 5.00 per share is proposed and the dividend pay-out would be Rs. 199.99 million for the year.

LMF shares traded between the lowest price of Rs. 70.40 and the highest price of Rs. 165.50. The last traded price on 31st March 2021 was Rs. 150.25.

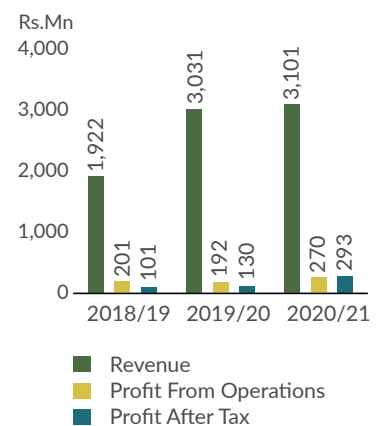
Company Performance

Lanka Milk Foods (CWE) PLC

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

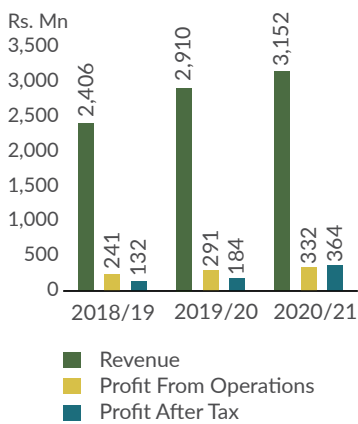
For the reporting year under consideration, LMF recorded a profit of Rs.293 million after tax against Rs.130 million in the preceding year stemming from the increase of Rs.159 million dividend income as another operating income. The addition of income from trading enabled the company to reach slightly higher revenue despite the struggles in the powder milk sector.

Lanka Milk Foods (CWE) PLC Revenue and Profit





**Lanka Dairies (Pvt) Ltd
Revenue and Profit**



Lanka Dairies (Private) Ltd

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

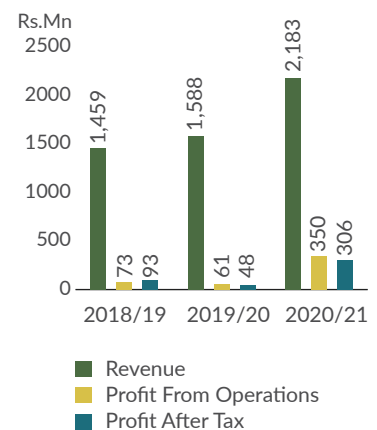
The company reported a profit after tax of Rs.364 million against Rs.184 million in the previous year, reflecting the successful volume growth in Ambewela Fresh Milk. Furthermore, Daily, Ambewela Flavoured milk and Ambewela Kiddos also contributed to the revenue growth. Ambewela brand has become a trusted household name in Sri Lanka.

Ambewela Products (Private) Limited

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

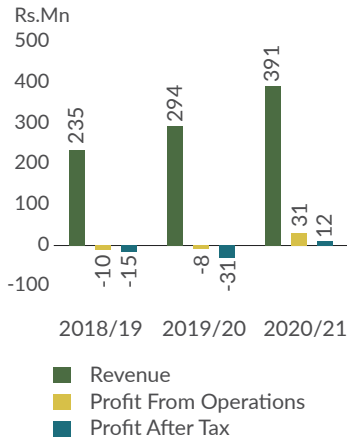
Revenue at APL increased to Rs.2,183 million against Rs.1,588 million in the year before. APL continued to experience resounding success as Ambewela Yoghurt recorded the highest sales volume for the year since initiation as a result of the capacity expansion last year. Effective pricing mechanism enabled a desired growth throughout the company.

**Ambewela Products (Pvt) Ltd
Revenue and Profit**

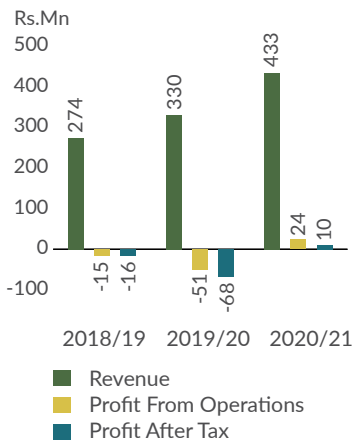


MANAGEMENT DISCUSSION & ANALYSIS

Ambewela Livestock Company Limited Revenue and Profit



Pattipola Livestock Company Limited Revenue and Profit



Ambewela Livestock Company Limited and Pattipola Livestock Company Limited

Both Ambewela Livestock Company and Pattipola Livestock Company achieved a growth in revenue compared to last year, stemming from volume and value increase for raw milk. It is also noteworthy that both farms recorded profits of Rs.12 million and Rs.10 million respectively, reflecting the efficient cost management introduced to control fixed costs and other overheads. Other income generated in farms from crops, primarily potatoes, was also impressive.

Pattipola Livestock Company Ltd, also known as New Zealand Farm, is a popular tourist destination, with over 10,000 visitors per day during the holiday season. However, the farm was closed to visitors for most of the year as a preventive measure for COVID-19.

The main attractions at the New Zealand Farm are automated milking parlours, a stud bull weighing over 1300Kg, rabbits imported from Paris, and various goat breeds. Ambewela Gouda Cheese and Ambewela Cottage Cheese, made from our farm milk, have become popular among locals and foreign visitors. Our meticulously maintained dairy farms provide excellent educational opportunities, particularly for agricultural and veterinary students at our universities.

Indo Lanka Exports (Private) Limited

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

United Dairies Lanka (Private) Limited

United Dairies Lanka (Private) Ltd (UDL) was founded in 2018 to enhance dairy production in our dairy farms, with cutting-edge cattle and dairy production facilities. Due to the prevailing pandemic situation, construction targets of the farm have not been met as expected.



SOCIAL & RELATIONSHIP CAPITAL

Customers, suppliers, and members of the community comprise the company's social and relationship capital. Such partnerships are essential to our success, since they drive our performance and sustain our reputation as a socially responsible brand.

Customers

Relevant SDGs:



Regarding our consumers, quality and product responsibility remain our top priorities at Lanka Milk Foods. All of our goods must satisfy the highest industry standards, and the Group makes every effort to ensure that they do so while minimising their impact on the environment. Our cutting-edge contemporary production facilities enable us to offer items that meet the highest quality requirements while adhering to world-class dairy standards and procedures. Our strict quality control methods and comprehensive quality management system conform to industry norms and meet the ISO 9001 quality standard criteria. As a further testament to our pledge in maintaining overall excellence, we have upgraded to the ISO 22000 - 2018 accreditation for Food Safety Management in year 2021.

We ensure that all of our products comply with responsible packaging and labelling requirements, adhering to the guidelines specified in the Food Act No. 26 of 1980, as amended well as the policies listed in the Food Labelling and Advertising Regulations of 2005 and the Consumer Affairs Authority Act No. 9 of 2003 as amended from time to time.

Regulations and Product Responsibility Systems:



Consumer Affairs Authority

Act No. 9 of 2003

Food Act No. 26 of 1980

Food Labelling and Advertising Regulations of 2005

Our Quality Assurance Division is committed to managing all areas of product quality while maintaining the highest environmental, hygiene, and sanitation requirements. To maintain control and accountability for the hygiene and cleanliness of its operations and procedures, the organisation also undertakes laundry, water purification, and cleaning services. To preserve the overall quality of production, the farms use international cattle raising methodologies for their European breeds. These herds are made up of Ayrshire and Friesian cows that have been chosen for their aptitude and capability to produce large quantities of milk. Professional agriculturalists and veterinarians monitor every element of our herds, from cow diet to their health, to ensure their continuing welfare.

Our packaging capabilities are among the most contemporary in the market, with automated packaging technologies in place, in order to ensure maximum levels of cleanliness.

We also take pride in producing products that promote health and wellness among our customers, having pioneered low-fat options for the health-conscious buyer, which further contributes towards reducing the prevalence of high cholesterol and other non-communicable diseases such as heart disease and diabetes, all of which are on the rise in Sri Lanka. We believe in encouraging our customers to make good decisions, and as an ethical and socially responsible company, we strive to guide future generations forward in terms of nutrition and health.

Suppliers



Our suppliers are a crucial partner in our path toward responsible product sourcing. As a result, a thorough supplier screening procedure is currently in place to guarantee that our Group procures the best quality raw material at a reasonable price. Our suppliers are also inspected for their social and environmental behaviours and impacts, and we consistently review their processes to ensure that they follow industry best practices and methodology.

As part of our engagement process, we conduct periodic site visits and maintain continuous communication with our suppliers to ensure the business's stability and continuity, with the added objective of maintaining sustainable supply chain management methods in order to achieve our goals in an ethical and equitable manner.

MANAGEMENT DISCUSSION & ANALYSIS

Our Community



A sustainable community can persist over generations through the fulfilment of a healthy environment, a prosperous economy and a vibrant civic life. It does not undermine its social or physical systems of support. Rather, it develops in harmony with the ecological patterns it thrives in. We practice a long-term approach in terms of listening and responding to the needs of our stakeholders, and further contribute towards the development of communities through targeted investments.

Since the Group operates within local communities and employs people from those communities, it engages closely with members of the surrounding communities to empower and uplift the people’s lives. The Group supports religious, cultural and social activities of local communities, fostering long term relationships with the people around us.

Since its establishment in 1981, Lanka Milk Foods opened its doors to the schoolchildren, educating them on the importance of nutrition and well-being year after year. The Company is committed towards the highest levels of transparency in terms of operations and our practice of providing educational tours that enable the youth to observe

our production processes reflects this commitment. This initiative further supports the government’s drive for national self-sufficiency in terms of dairy needs, and takes children from schools and other higher education institutions through a structured programme which comprises presentations and demonstrations conducted by trained personnel and includes a guided tour through the LMF plant located in Welisara.

The plants are constructed with the objective of enabling easy observation of the production process with no ensuing obstruction to workflow. The students enjoy a chilled cup of milk and other assorted product samples during their visit.





HUMAN CAPITAL

Relevant SDGs:



At Lanka Milk Foods, we focus on creating an optimal work environment, enabling employees to find the best balance between their personal and professional lives.

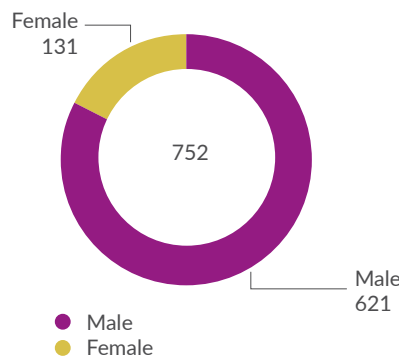
This philosophy has enabled the growth of a people-centric culture within a corporate Group whose successful achievement of its goals and objectives are directly tied with the well-being of its people. We thrive on values such as diversity and inclusion, by providing equal opportunity for all our employees.

The employee reward system of the Group duly rewarded and recognized employees through the awarding of executive and grade promotions in alignment with their achievements and performance during the year. We continued to maintain a low attrition rate during the pandemic period while maintaining job security, and ensuring none of our staff members faced the prospect of losing their job. We are grateful for our loyal and committed workforce and their unwavering support towards achieving the Group's vision.



For the Year Ended 31st March	2021		2020	
	Male	Female	Male	Female
Executives	78	7	75	7
Non-Executives	409	38	392	40
Casual/Check Roll	134	86	141	80
	621	131	608	127
	752		735	

Gender Distribution in Workforce



As at 31st March 2021, the total employees on payroll amounted to 752 personnel, while in the previous year it amounted to 735. 9% of the total employees represent employees on contract basis while the female representation stands at 17%. The majority of our total cadre is represented by factory and farm workers, with our Group's gender ratio standing at approximately 4:1 (male: female) due to the labour-intensive work required at the farm and on the factory floor.

MANAGEMENT DISCUSSION & ANALYSIS

New Appointments

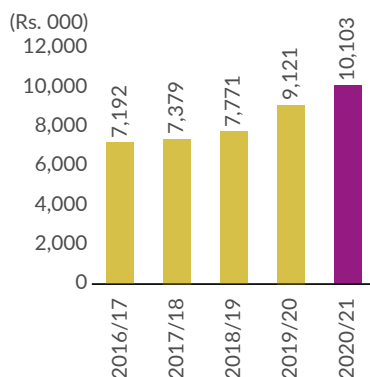
The Group adheres to a specific recruitment process when hiring all employees and provides employment opportunities for various professionals and skilled labour across diversified fields. We prioritize recruitment from the local vicinity, providing prospects for youth in neighbouring farm and factory areas, focusing primarily on young labourers who wish to enter the workforce. We provide specialised training to these youth, and they are eventually absorbed into the permanent cadre as skilled labourers.

As we strive towards strengthening the nation's future, we continue to uplift the next generation by providing our young employees with focused targets and training, encouraging them to take on the professional world. Furthermore, in line with this practice, we educate our recruits with respect to in-depth industry knowledge, the latest market statistics, and the daily operations of our state-of-the-art factories and laboratories, coupled with practical experience in the market.

Employee Benefits

Lanka Milk Foods abides by all labour laws, ensuring a good, committed workforce within the Group. Cleanliness is a key priority, and staff are expected to maintain the best hygiene practices and quality standards inside the workplace to preserve efficiency and foster an orderly working environment. An employee guideline is also available to ensure that all employees maintain standardised health and hygiene related systems across the organization.

Revenue Per Headcount



LMF has initiated occupational health and safety measures across all our locations, ensuring an accident-free work environment throughout the year. Precautionary steps are taken to minimise occupational hazards. Furthermore, all our employees are provided with fully-fledged insurance and accident covers in line with labour regulations.

Concerning our female cadre, we adhere to all labour-related laws, overseeing the welfare of our female employees who work in the factories and our farms, ensuring they are well cared for and fairly treated. Furthermore, with respect to matters of employee food and hygiene, we have adhered to safety measures in line with industry standards.

We believe that promoting healthy lifestyles among our employees is key to a productive and happy workforce. Therefore, it is necessary for any organization to encourage stability in terms of both mental and physical health. As such, the Group provides facilities for indoor recreational activities and sports, while extending further monetary support towards the employees' outdoor recreational activities.

Excerpt from Note 8.1 to the Financial Statements - Personnel Costs

Personnel Costs	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Defined Contribution Plan Costs - EPF and ETF	57,675	49,660	29,163	25,451
Defined Benefit Plan Cost - Retirement Benefit Obligation	26,132	21,061	13,691	11,359
Other Staff Costs	716,224	519,326	357,976	245,209
	800,031	590,047	400,830	282,019
Total Numbers of Employees as at Year End	752	735	299	304
Average cost per employee	1,064	803	1,341	928

Training & Development

To promote a culture of learning and development, we encourage our employees to capitalize on the range of training opportunities we provide in order to improve their competencies and skills and achieve continued career progression. The Group continues to invest heavily in technical, sales and marketing-based training programs for its employees, while a strong culture of mentoring young talent is followed, headed by our experienced senior managerial team.

Occupational Health & Safety

As an organization that works closely with machinery and lab research, worker health and safety is maintained at the highest level in our everyday operations. The Group strives towards the incident and injury-free operational flow and in order to attain this goal, a strong emphasis is placed on taking necessary precautions to prevent any unfortunate mishaps or casualties. Our staff remain actively involved in being proactive and mindful of their surroundings, ensuring the absence of injuries and environmental hazards that could potentially affect the workforce.

Protective gear is compulsory for workers engaged in specific operations, while the entire workforce in general is educated on the expected standards that ensure we uphold our longstanding reputation for quality, hygiene and safety. We faithfully sustain this positioning by assuring high standards of cleanliness in all we do.

Employee Well-being

Lanka Milk Foods is committed to nurturing our employees, ensuring their protection and welfare throughout their tenure within the Group. The local communities surrounding our factories have benefited immensely from the Company as an important employment generator, and through local recruitment, the Company can uplift the livelihoods of youth in the area that would otherwise migrate to satellite towns in search of gainful employment. Realizing the aspirations of many of our employees who hail from rural towns and villages, the Company offers a comprehensive range of staff benefits, which ensure an ideal work-life balance for the workforce.

A comprehensive medical cover is in place encompassing all staff members, in addition to a subsidized nutritious lunch for staff and a quota of company manufactured products. They are also entitled to receive cash incentives above industry standards, including

monthly sales incentives, attendance incentives for non-executive staff, leave encashment for unused leave, ex gratia payments and substantial bonus payments during festive seasons. Leisure and recreational opportunities are provided regularly to promote harmony and encourage camaraderie amongst staff members.

Creating a Safe Work Environment

As a Group operating in the food and beverages sector, our factories and farms continued their operations during the lockdown. Therefore, ensuring a safe work environment at all our locations was of the essence, as simply arriving at work constituted a health risk to our staff who served on the frontline. Health and safety procedures were devised and enforced to protect both employee health and workplace safety.

The following measures aided in the formation of safe work environments throughout the Group:

- Implementing safety protocols adhering to Government and Health Ministry guidelines and implementing work rosters
- Employee health and safety stats were recorded and reported
- Providing transportation to employees to avoid taking public commute and facilitating work from home where possible
- Regular sanitation of office and industry premises
- Restricting farm visits to discourage travel and prevent the spread of the disease
- Randomly administering PCR tests to employees who are more susceptible to health and safety risks
- Upon entering, all staff and guests are subjected to temperature checks
- Building awareness regarding the prevention of COVID-19 among employees



Maintain a clean & hygienic environments



Individual equipment should be used



Cafeteria arrangements based on social distancing



Use hand sanitizers



Sanitize objects and surfaces used regularly



Maintain social distancing



Avoid social gatherings

MANAGEMENT DISCUSSION & ANALYSIS



3,050
Rs.Mn
PPE

1,425
Rs.Mn
Capital Expenditure

Relevant SDGs:

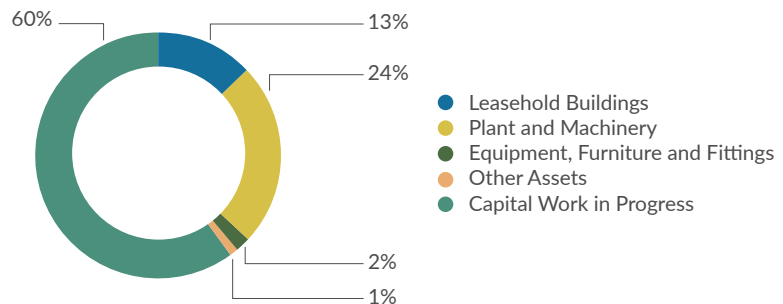


The efficient use of the Group's manufactured capital, which primarily consist of its available physical resources, enables Lanka Milk Foods to be a leader in terms of innovation and adaptability, while also improving the speed with which our new products are brought to market. The capabilities and capacity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



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

PPE Composition



The following is a valuation of our manufactured capital as of the conclusion of the fiscal year ended 31 March 2021.

	Gross Carrying Value (Rs. 000)	Net Carrying Value (Rs. 000)
Leasehold Buildings	860,718	396,660
Plant and Machinery	2,403,005	725,770
Equipment, Furniture and Fittings	321,360	53,297
Other Assets	372,887	37,842
	3,957,970	1,213,569
Capital Work in Progress		1,836,896
Property, Plant and Equipment		3,050,465

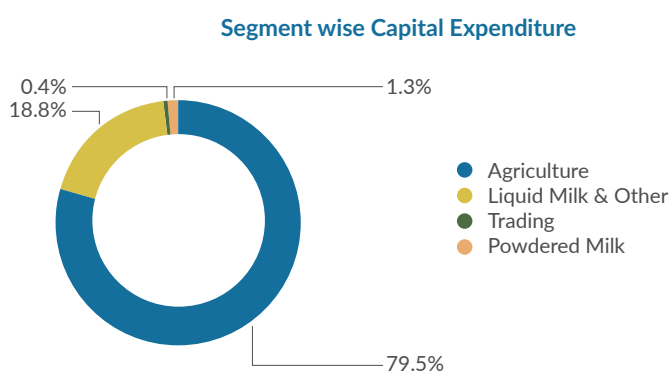
For more information, refer Note 12.1 to the Financial Statements on Property, Plant, and Equipment.

The following are the details of leasehold properties as of March 31, 2021.

Location	Extent (Hectares)	Building (Square feet)	No of Buildings	Cost of the Building
Welisara	3.275	140,800	3	434,416
Ambewela	458.47		131	426,302
				860,718

Capital Expenditure

The Group's CapEx during the year amounted to Rs. 1.4 billion, comprising Rs. 1.1 billion in Agriculture segment and Rs. 267 million in Liquid milk and other. Key investments included expansion, construction and strengthening the Group's physical assets.



Following an investment of approximately Rs. 3.5 billion, the Group launched a new firm called United Dairies Lanka (Private) Ltd with the objective of increasing the Group's milk production capacity. The project is anticipated to be completed by the end of the year 2021, enabling a further 5 million litres of milk to be added to the system by the end of 2022.

Advances in technology and innovation

We are pleased to be the first UHT manufacturer in Sri Lanka to implement the world-renowned Tetra Pak technology. In order to achieve this, we worked in close partnership with Tetra Pak, the world's leading food processing and packaging solutions company to deliver safe, hygienic and wholesome food items to the health-savvy consumer.

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 allows the goods within to remain fresh for longer periods of time. Additionally, the package does not require refrigeration until it is opened.

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



MANAGEMENT DISCUSSION & ANALYSIS



INTELLECTUAL CAPITAL

Relevant SDGs:

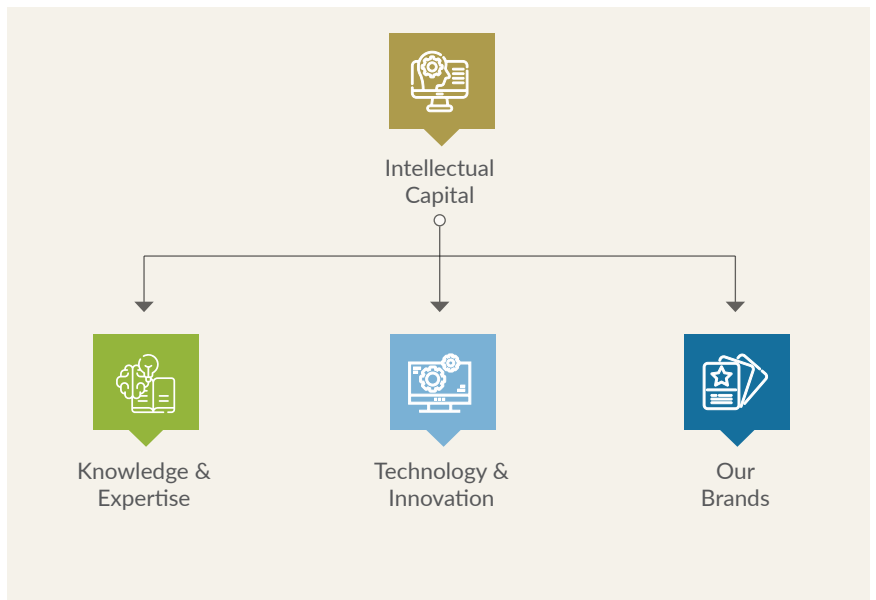


Although intangible, an organisation's intellectual capital plays a significant role in its current and future revenue potential. The Group's collective knowledge distinguishes us from competitors, strengthening us with a distinctive positioning and a wide array of capabilities derived from Group systems, processes, and expertise.



Due to the close interaction and contingency that exists between intellectual capital and a company's investment in R&D, innovation, human resources, and external relationships, this capital defines an organisation's competitive edge. As a result of the strategic combination of material, money, and human resources, shareholder value is created.

The Lanka Milk Foods Group, hence, strives towards further building and strengthening our intellectual capital, to achieve our goal of driving growth and sustainable value across every business unit. Our intellectual capital incorporates three key areas, shown below:



Brands

Our brands serve as one of the Group’s most valuable resources, offering us a sustainable competitive advantage. Over the years, these much-loved brands have cultivated a reputation of trust and quality across the island, with a portfolio of products that serve the people with unmatched taste and wholesome goodness.

The Group therefore continues to leverage on this strategic advantage, capitalising on our reputation of trust to expand into potential growth avenues and thereby unlock greater levels of value creation in the years ahead. Our pool of reputed brands further contributes immensely towards the Group’s performance year on year, reinforced by the Group’s continued efforts in terms of advertising, sales promotions, direct marketing, personal selling, and public relations.

Our brand portfolio reflects our customer requirements by serving a variety of ages and economic levels through a wide range of products which fall under a single pledge: the promise of trust between us and our esteemed customers. Our versatile products are provided under the brand names featured above, which cater to varying customer lifestyles and their associated needs, differentiated in terms of functionality and purpose, and united in terms of quality, safety, and convenience.

While Lakspray is the Group’s powdered milk brand, the Daily, Daily Activ, and Ambewela range of brands classify under our flavoured milk segment. In addition, the Ambewela brand also represents our fresh milk range, and includes both full cream and non-fat

versions of UHT-treated ready-to-drink Tetra packs which come in both 1 litre and 200 ml sizes. Ambewela set yoghurt is also a key performer in the product portfolio, with the entire range retaining high levels of popularity in the market

New Products



since its introduction. My Juicee is the Group’s fruit drink, which is offered in Mixed Fruit, Mango, Orange, and Apple variants.

Our new yoghurt drink bottle manufactured at Ambewela is the latest addition to our product portfolio. It’s available in mango-peach, strawberry and vanilla variants.



Knowledge & Expertise

As a pioneer in the local dairy industry, our industry-specific experience and knowledge span over 50 years. The knowledge we have accumulated over the years is driven by the modern talents and abilities of our informed staff, and

contributes towards the continued success of this Group. We furthermore continue to apprise ourselves of recent advancements in the sector to ensure that the Group retains its status as a robust forerunner in the industry, and remains far ahead of its competition.

Moreover, as protecting and preserving the quality of our products is a fundamental aspect of managing our livestock and ensuring its well-being, our dairy companies partnered with an expert nutritionist to develop the most nutritional feed additives for our cattle. This is reinforced by the presence of a veterinarian team with resident veterinary surgeons, who are dedicated towards caring for them every day and ensuring their health.

Technology and Innovation

Lanka Milk Foods is an entity that remains progressive; ready to evolve and adapt, in order to anticipate and meet changing consumer preferences. Therefore, each plant of the Group possesses a dedicated R&D unit composed of state-of-the-art, modern laboratory facilities which are maintained according to the highest quality, hygiene and safety standards, powered by the talent and drive of our experienced personnel.

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



MANAGEMENT DISCUSSION & ANALYSIS



Relevant SDGs:



As a corporation recognised with and based on a reputation for natural goodness, our surrounding environment is a critical component of our operations. We rely on our farms for our output, and as such, sustainable dairy farming practices are adopted by the company across all farming locations. Moreover, consumers are now becoming more aware of their purchases, and are making informed choices regarding their preferred dairy products, opting for companies that are known for their sustainable practices. We applaud this transition and have adopted sustainable farming techniques that serve to protect the environment and minimise adverse or harmful impacts. The Group adheres to a variety of international dairy farming practices that prioritise the

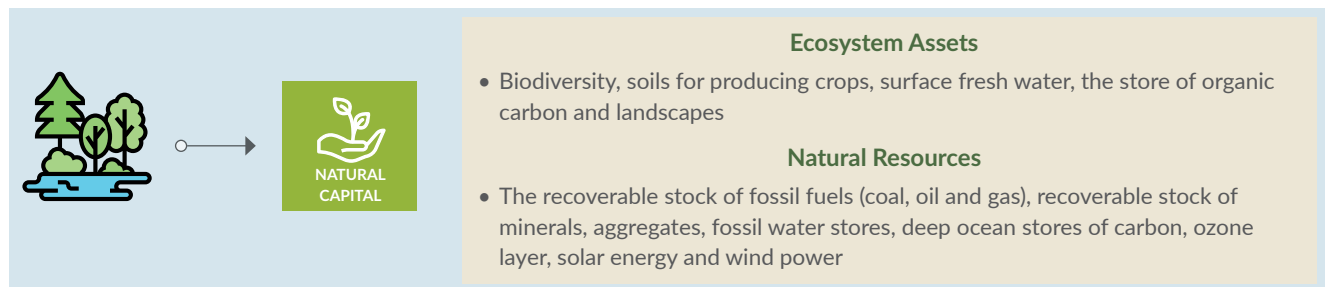
“Sustainability, ensuring the future of life on Earth, is an infinite game, the endless expression of generosity on behalf of all.”



preservation and long-term sustenance of nature.

We believe in the responsible use of our natural resources and have therefore put in place an effective water treatment plant that ensures all the water utilised in

our production process is treated before releasing it into the environment. This practice of treating wastewater effluents before their release ensures that we safeguard the environment from any inadvertent instances of pollution that may arise through our operations.



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

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

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

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

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



How we reduce our environmental impact

At our factory locations

- Water effluent treatment plant for liquid waste
- Responsible disposal of solid waste
- Reusing and recycling packing material

At our farms

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



A herd of brown and white cattle is grazing in a lush green field. The scene is framed by several trees, some with bare branches and others with green leaves. The text 'Perspectives that Nurture' is overlaid in white serif font, with 'STEWARDSHIP' in a smaller sans-serif font below it, separated by a thin white line.

Perspectives that Nurture

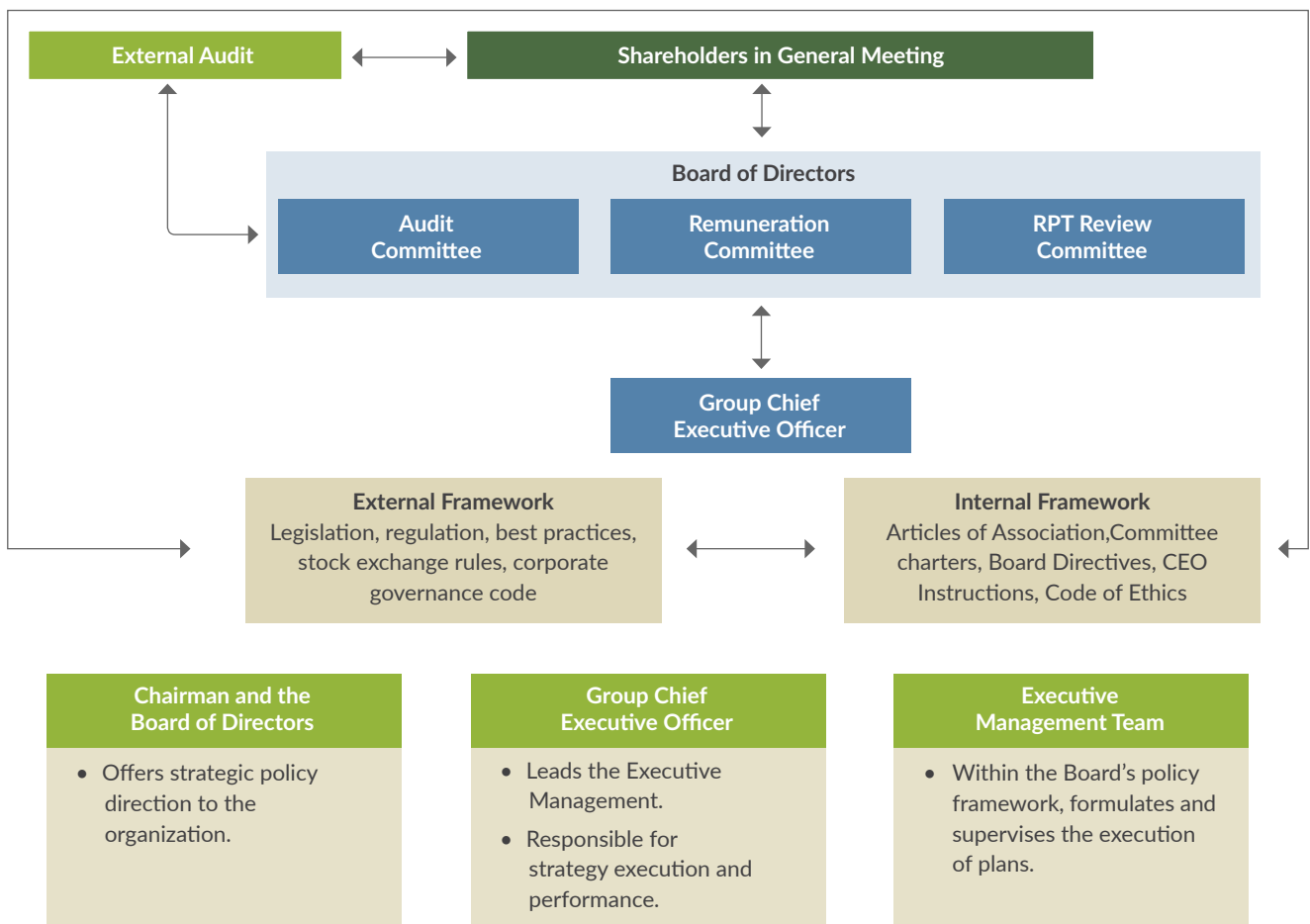
STEWARDSHIP

CORPORATE GOVERNANCE

Lanka Milk Foods (CWE) PLC's corporate governance structure focuses on fundamental elements of accountability, participation and transparency required to build, strengthen, and sustain a resilient business over time, as well as to generate value to our stakeholders.

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

Governance Structure



Key legal enactments, codes and agreements complied with:

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Continued Listing Requirements of Colombo Stock Exchange
- Employees Provident Fund Act
- Employees Trust Fund Act
- Payment of Gratuity Act
- Shop and Office Employees Act
- Factories Ordinance
- Wages Board Ordinance
- Maternity Benefits Ordinance
- Inland Revenue Act No. 24 of 2017
- Code of Best Practices on Corporate Governance
- Workmen's Compensation Ordinance
- Industrial Disputes Act

THE BOARD OF DIRECTORS

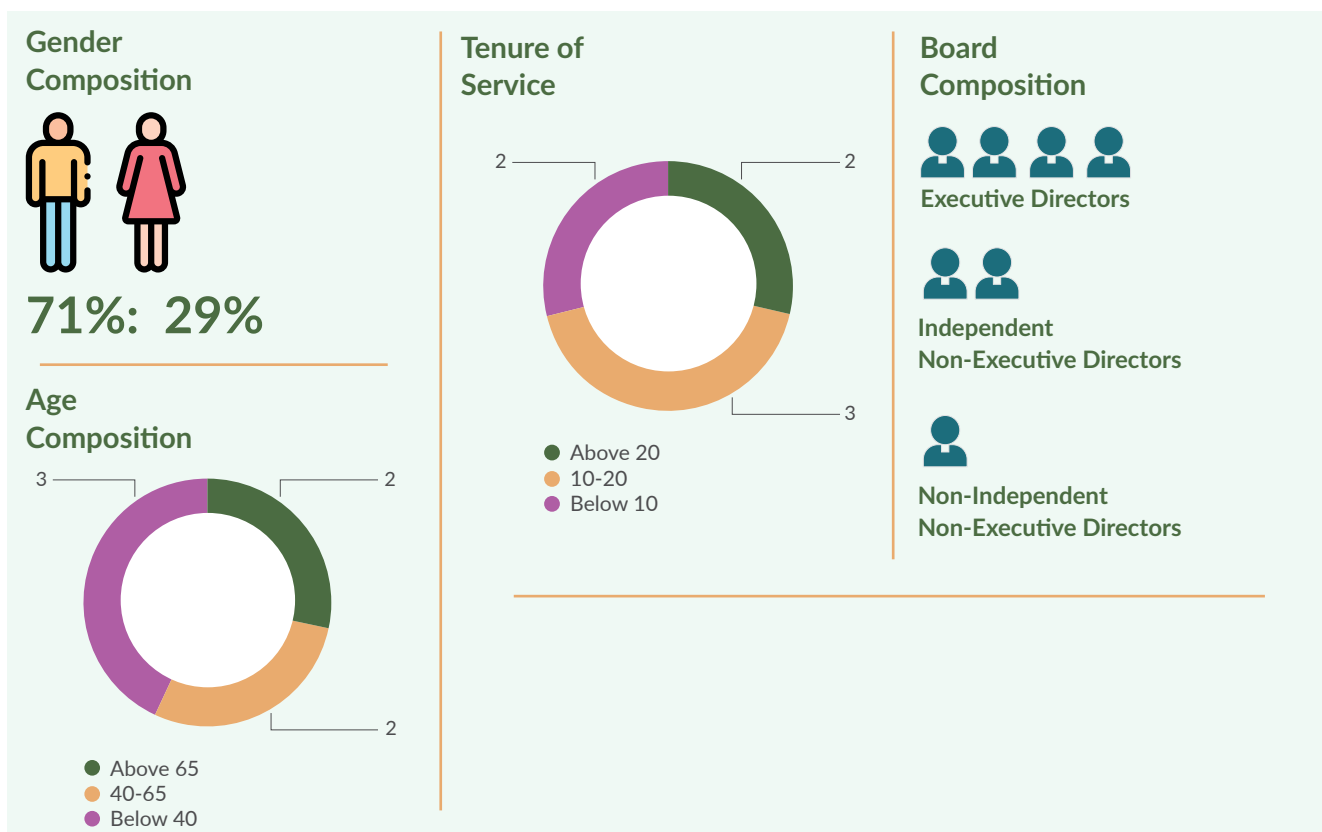
The Board of Directors of the Company is accountable for the governance of the Company in good faith, in a manner that protects the rights and interests of the shareholders and all other stakeholders. The shareholders’ role in governance is to appoint Directors who adhere to appropriate corporate governance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

The Key Accountabilities of the Board of Directors

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

Board Composition

Name of the Director	Year Appointed	Status
Mr. D. H. S. Jayawardena	1991	Executive Chairman
Mr. C. R. Jansz	1992	Executive Director
Ms. D. S. C. Jayawardena	2008	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



CORPORATE GOVERNANCE

Board Sub-Committees

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

Audit Committee

The Audit Committee oversees the following areas.

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

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

The Audit Committee Report is given on page 66.

Remuneration Committee

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

The Remuneration Committee Report is given on page 67.

Related Party Transaction Review Committee

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

The Related Party Transaction Review Committee report is given on page 68.

Meetings

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

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

Company Secretary

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

Non-Executive Directors

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

Independence of Directors

The Board has determined that two Non-Executive Directors - (Mr. D. S. K. Amarasekera and Dr. A. Shakthevale) are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the said Directors have submitted signed declarations in this regard. Detail resume of each Director is given in the Board of Directors section of this Annual Report from pages 24 to 27.

Mr. D. S. K. Amarasekera is a Director of a company in which a majority of the other Directors of the Company are Directors, and which holds a significant shareholding by the Company.

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

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

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

DISCLOSURES

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

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

Internal Controls

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

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

Future Company Assets

The Board of Directors after reviewing the Financial Statements and Cash Flow

of the Group is extremely confident that for the reasonable future the Group has more than adequate resources to continue their customary operations.

Compliance Report

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

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

Compliance with the Companies Act No. 07 of 2007

Section Ref.	Requirement	Compliance Status	Details of Compliance
168 (1) (a)	Any change during the accounting period in the nature of business of the Company or any of its subsidiaries, and the classes of business in which the Company has an interest, whether as a shareholder of another company or otherwise	Complied	Refer Annual Report of the Board of Directors on pages 69 to 72 of this Annual Report.
168 (1) (b)	Financial Statements of the Company and the Group for the accounting period completed and signed	Complied	Refer Financial Statements on pages 80 to 141 and Annual Report of the Board of Directors 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 76 to 79 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 69 to 72 of this Annual Report.
168 (1) (e)	Particulars of entries in the Interests Register made during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 69 to 72 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 69 to 72 of this Annual Report.
168 (1) (g)	Total amount of donations made by the Company and the Group during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 69 to 72 of this Annual Report.

CORPORATE GOVERNANCE

Section Ref.	Requirement	Compliance Status	Details of Compliance
168 (1) (h)	Directorate of the Company and the Group as at the end of the accounting period along with the changes that occurred during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 69 to 72 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 69 to 72 of this Annual Report.
168 (1) (j)	Relationship or interest of the Auditors with the Company or any of its subsidiaries	Complied	Refer Annual Report of the Board of Directors on pages 69 to 72 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 69 to 72 of this Annual Report.

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

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
7.6.(i)	Names of persons who during the financial year were Directors of the entity	Complied	Refer Corporate Information of this Annual Report
7.6.(ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein	Complied	Refer Note 1.2 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 Shareholder and Investor Information on page 143 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 Shareholder and Investor Information on page 143 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 Shareholder and Investor Information on page 142 of this Annual Report
7.6.(vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied	Refer Risk Management Report on pages 62 to 65 of this Annual Report
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Complied	Refer page 71 of Annual Report of Board of Directors of this Annual Report

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
7.6.(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Complied	Refer Note 12.1 of the Financial Statements of this Annual Report
7.6.(ix)	Number of shares representing the Entity's stated capital.	Complied	Refer Shareholder and Investor Information on page 142 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 Shareholder and Investor Information on page 142 of this Annual Report
7.6.(xi)	Ratios and market price information	Complied	Refer Shareholder and Investor Information on page 143 and Ten year summary of this Annual Report
7.6.(xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land.	Complied	Refer Note 12 of the Financial Statements of this Annual Report
7.6.(xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement.	N/A	During the year the Company had no public issues, rights issues or private placements.
7.6.(xiv)	Employee share option/purchase schemes (if any)	N/A	There are no share options or purchase schemes available to the Company's directors or employees at this time.
7.6.(xv)	Corporate Governance Disclosures in terms of Sections 7.10.3, 7.10.5.c and 7.10.6. c.	Complied	Refer Corporate Governance Report on page 52 to 61 of this Annual Report
7.6.(xvi)	Related Party Transactions in terms of Sections 9	Complied	Refer Note 34 of the Financial Statements of this Annual Report
7.10	Compliance		
a/b/c.	Compliance with Corporate Governance Rules	Complied	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1	Non-Executive Directors (NED)		
a/b/c.	At least two members or one third of the Board, whichever is higher should be Non-Executive Directors	Complied	Three out of seven Directors are Non-Executive Directors at the conclusion of last AGM.
7.10.2	Independent Directors		
a.	Two or one third of Non-Executive Directors, whichever is higher shall be independent	Complied	Two out of three Non-Executive Directors are independent.

CORPORATE GOVERNANCE

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
b.	Each Non-Executive Director to submit a signed and dated declaration of his/her Independence or Non independence	Complied	<p>Independence of the Directors has been determined in accordance with CSE Listing Rules and the two Independent Non-Executive Directors have submitted signed declarations of their independence.</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 which holds a significant shareholding by the Company. However, in view of the fact that he is an independent Non-Executive Director of the company, his position as a Director of the other company does not compromise his Independence and objectivity in discharging his functions as a Director of the Company. Hence, Mr. D. S. K. Amarasekera is determined by the Board to be an independent Director.</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 CSE 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 24 -27 of the Annual Report.
d.	Provide a resume of each new Director appointed to the Board along with the details	N/A	There were no new appointments during the year.

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
7.10.4 Criteria for Defining Independence			
a. to h.	Requirements for meeting the criteria to be an Independent Director	Complied	All two Independent Non-Executive Directors have met the criteria on defining independence as per the Listing rules.
7.10.5 Remuneration Committee			
a. 1	The Remuneration Committee shall comprise a minimum of two Independent NEDs or a majority of Independent NEDs, whichever is higher. One NED shall be appointed as Chairman of the Committee by the Board of Directors	Complied	The Remuneration Committee comprises of two Independent, Non-Executive Directors.
a. 2	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	Complied	An Independent Non-Executive Director is the Chairman of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors.	Complied	The Remuneration Committee recommends the remuneration of the CEO and the Executive Directors. The Board makes the final determination after considering such recommendations.
c. 1	Names of Remuneration Committee members	Complied	Composition of the Remuneration Committee is given on page 67.
c. 2	Statement of Remuneration Policy	Complied	Group's Remuneration Policy is given on the page 67.
c. 3	Aggregate Remuneration paid to Executive and Non-Executive Directors	Complied	Aggregate remuneration paid to Executive and Non-Executive Directors during the year under review appears on Note 8 to the Financial Statements.
7.10.6 Audit Committee			
a. 1	The Audit Committee shall comprise a minimum of two Independent NEDs, or a majority of Independent NEDs, whichever is higher.	Complied	The Audit Committee comprises of two Independent, Non-Executive Directors.
a. 2	A Non-Executive Director shall be the Chairman of the committee	Complied	Chairman of the Audit Committee is a Non-Executive Director.
a. 3	Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings.	Complied	Chief Executive Officer and Chief Financial Officer attended the Audit Committee meetings by invitation.
a. 4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied	The Chairman of the Audit Committee is a member of a professional accounting body.
b.	Functions of the Audit Committee	Complied	The Audit Committee carries out the functions prescribed in this section of the Audit Committee. Role of the Audit Committee is given on page 66.

CORPORATE GOVERNANCE

Section Ref.	CSE Listing Rule	Compliance Status	Details of Compliance
b. 1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Complied	The Audit Committee assists the Board in fulfilling its responsibility through overseeing the integrity of the financial statements of the Group.
b. 2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Complied	The Audit Committee has the overall responsibility to oversee the preparation of financial statements in accordance with the laws and regulations of Sri Lanka and also to recommend to the Board on the adoption of best accounting policies.
b. 3	Ensuring the internal controls and risk management controls are adequate to meet the requirements of the SLFRS/LKAS	Complied	The Audit Committee assesses the effectiveness of the internal controls and risk management.
b. 4	Assessment of the independence and performance of the entity's external auditors	Complied	The Committee assesses the external auditor's performance and independence.
b. 5	Make recommendations to the Board pertaining to external auditors	Complied	The Committee is responsible for appointment, reappointments, removal of external auditors and also the approval of remuneration and terms of engagement.
c. 1	Names of the Audit Committee members shall be disclosed	Complied	Refer Audit Committee Report on page 66 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 66 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 66 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 Status	Details of Compliance
9.2 Related Party Transactions Review Committee			
9.2.2	Composition	Complied	Related Party Transaction Review Committee consists of three Directors, out of which two are Independent, Non-Executive Directors; Chairman of the Committee is an independent, Non-Executive Director. Refer page 68.
9.3 Related Party Transactions Review Committee			
9.3.2	Disclosures in the Annual Report		
a.	Non- Recurrent Related Party Transactions	Complied	The details of the aggregate value of non-recurrent related party transactions as % of Equity and of Total Assets are disclosed in note 34 to the financial statements.
b.	Recurrent Related Party Transactions	Complied	Lanka Milk Foods (CWE) PLC carries out transactions with its subsidiaries and other related companies, anticipated to extend over a period which is carried out continuously and are in the ordinary course of the business of the Company. Details of the aggregate value of related party transactions as a % of revenue are disclosed in note 34 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 68.
d.	A declaration by the Board of Directors	Complied	Report by the Related Party Transactions Review Committee on page 68

ENTERPRISE RISK MANAGEMENT

MANAGING RISKS AND OPPORTUNITIES

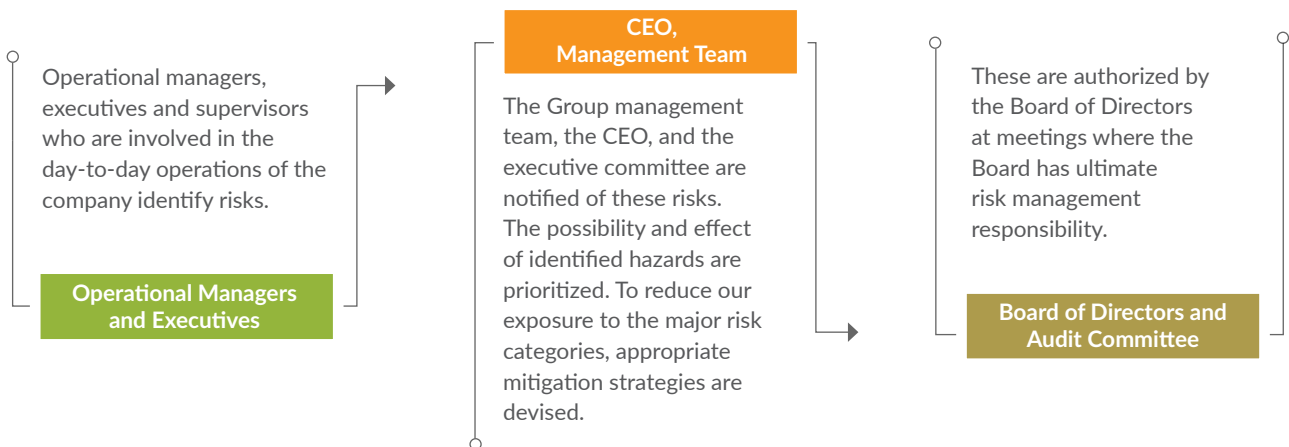
Risk management refers to the specified system for identifying, assessing, and controlling hazards to the Group's capital, profitability, and reputation. The risk and opportunity strategy of the Group recognizes both threats and opportunities intricately connected.

The Group recognizes risk management as a tool to alleviate the disadvantageous results of internal or external variables and to take advantage of opportunities to maximize business value.

Key Concerns- FY20/21

- Issues arisen from COVID-19 Global Pandemic
- Rupee depreciation
- Interest rates are on the decline
- Fluctuations in global milk powder prices
- Supply chain management
- Effective product distribution

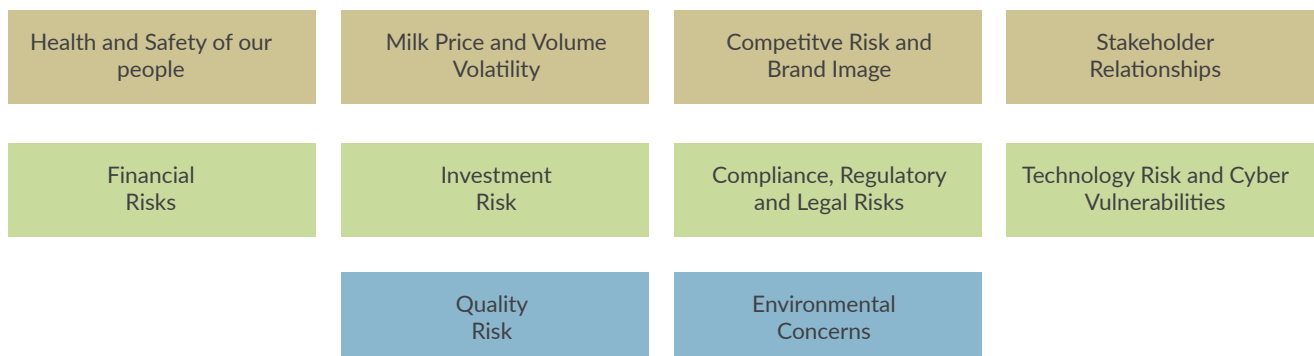
Governance and Risk Management Process



Risk management is a dynamic and ongoing activity. This includes communication and collaboration with stakeholders and continuous monitoring and examination. The procedure is embedded in our business and policy operations and includes:



In 2020/21, we encountered the following threats.



This section presents the primary risks encountered and identified as potential, as well as techniques for mitigating and managing such risks.

Principal risks indicators	Potential Impact	Risk Mitigation Strategies
Health and Safety of our people		
<ul style="list-style-type: none"> • COVID-19 infection rate • Travel restrictions and lockdowns • Backlog of work 	<ul style="list-style-type: none"> • Workforce health • Backlog of work • Spread of virus could affect business continuity • Administration costs • Hinder the supply of goods • Quality of products • Reputation • Factory shut down 	<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. • To keep track of employee health and safety stats, all staff must fill out a weekly health declaration form. • Face masks are required in all of our facilities and PPE are provided to staff where needed. • Employees are asked to avoid taking public transportation and work from home if possible to help prevent the spread. • Sanitation of office and industry premises is done on a regular basis. During this time, farms were restricted to visitors in order to discourage travel and prevent the spread of the disease. • Randomly administering PCR tests to employees who are more susceptible to health and safety risks.
Milk Price and Volume Volatility		
<ul style="list-style-type: none"> • Yield per cow • Cost per Litre • Price per Litre 	<ul style="list-style-type: none"> • The organization's revenues and profitability are directly affected by rising milk prices and shifting volume. 	<ul style="list-style-type: none"> • Increasing the number of milking cows and the amount of milk produced per cow on a daily basis to increase our farm's milk output. • A consistent supply of raw milk for the production lines is ensured by increasing overall dairy production.
Competitive Risk and Brand Image		
<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 • Product 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
Financial Risks		
<ul style="list-style-type: none"> • Interest rate fluctuations • Exchange rate fluctuations • Current/quick ratio • Cash flow forecast • Capital structure • Gearing ratio 	<ul style="list-style-type: none"> • Meeting obligations • Financial position • Cost of imports • Profitability of business • Cash management 	<ul style="list-style-type: none"> • Expected borrowings are covered by committed facilities, and an industry-related gearing ratio is kept at a healthy level. • Systematic liquidity evaluations and assuring the Group's capacity to generate adequate resources for operations, financing, and investments. • Improved banking facilities and financial help acquired via good relationship management with associated institutions have given us an edge in this industry. • Monitoring exchange exposures and leading or lagging payments/receipts. • Striking a balance between short-term vs long-term borrowings, fixed vs floating rate borrowings and effective negotiation with bankers.

ENTERPRISE RISK MANAGEMENT

Principal risks indicators	Potential Impact	Risk Mitigation Strategies
Compliance, Regulatory and Legal Risks		
<ul style="list-style-type: none"> • Total external and internal expenses on solving legal and litigation matters • Number of litigation matters and cycle time to resolve them • Number of compliance related matters • Cycle time to resolve compliance, regulatory and legal matters 	<ul style="list-style-type: none"> • Financial loss • Reputational loss • Time and administration efforts dealing with such matters 	<ul style="list-style-type: none"> • To mitigate such vulnerabilities, preventive steps are conducted by adhering to all necessary legislation and regulatory matters. • Management evaluates regulatory changes on a regular basis and assesses the impact of new regulations on the business. • In the event that an agreement is breached, the Company consults with internal and external legal professionals to limit the risk. • A complete compliance checklist is checked on a regular basis.
Infrastructure Investment Risk		
<ul style="list-style-type: none"> • Interest rate fluctuations 	<ul style="list-style-type: none"> • Financial risk, interest rate risk • Effect of investment on business growth • Effect on cash flow 	<ul style="list-style-type: none"> • 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"> • Raw material shortages • Customer satisfaction • Customer complains 	<ul style="list-style-type: none"> • Inventory and supply chain management • Production hindrances • Revenues and profitability • Market presence in B2B and B2C • Customer retention 	<ul style="list-style-type: none"> • Supplier partnerships are being strengthened. • Effective communication and being supportive of development and expansion of supplier sources • Reviewing supplier deliverables and performance • Addressing customer feedback and complaints regularly • Rewarding loyal customers
Technology Risk and Cyber Vulnerabilities		
<ul style="list-style-type: none"> • Technology failures • Stolen or lost devices • Leaked passwords • Suspicious emails • Malicious attacks • Spam and viruses 	<ul style="list-style-type: none"> • Disruptions to business operations • Delays in tasks • Loss of sensitive data 	<ul style="list-style-type: none"> • Information security is ensured by granting selected personnel varying levels of access permissions based on their operational demands and level of responsibility. • To guard against viruses, the latest anti-spyware and anti-virus software is installed, while firewalls and other security measures, as well as passwords, are employed to prevent hacking and unauthorised computer invasions. • Taking cloud-based system backups and updating software to the latest versions on a regular basis. • A new Chief Information Officer has been appointed to lead the organization's information technology (IT) strategy and implementation.

Principal risks indicators	Potential Impact	Risk Mitigation Strategies
Quality Risk		
<ul style="list-style-type: none"> • Product complains • Customer satisfaction • 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 in accordance with local and international standards • To accomplish the quality goals, product and process improvements are developed and reviewed on a regular basis. • Testing conducted to check the presence of aflatoxins and harmful chemicals in feed and related supplies
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 agricultural crops • Health effects and birth defects 	<ul style="list-style-type: none"> • Adopting more sustainable dairy farming practices • Sustainable agriculture approaches are being prioritized. • Waste management and eco friendly waste disposals • Reusing and recycling • Conducting Initial Environmental Evaluations (IEE) and integrating Environmental Impact Assessments (EIA) by Central Environment Authority (CEA) to our projects and complying with National Environmental Act etc. • Safe chemical handling • Acquiring relevant licenses

REPORT OF THE AUDIT COMMITTEE

Audit Committee Report

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

A brief profile of each member is presented on pages 24 - 27 of this report under the section of the Board of Directors.

Scope of Work

The Audit Committee's duties, scope, and activities are in accordance with the provisions of the Code of Best Practice on Corporate Governance, which was jointly established by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Committee aids the Board in carrying out its duties and supervises financial reporting, internal audit, internal controls, and external auditing.

The powers and responsibilities of the Audit Committee are administered by the Audit Committee Charter which is approved and accepted by the Board. The terms of reference comply with the requirements of the Corporate Governance Rules as per section 7.10.6 of the Listing Rules of the Colombo Stock Exchange.

Committee Meetings

The Audit Committee met in each quarter during the year under review and the attendance of the committee members are given below.

Name	10/7/20	12/8/20	11/11/20	8/2/21
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓

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

Role of the Committee

The Board Audit Committee in its role oversees the financial reporting system of the Company and their compliance with financial reporting requirements, information requirements as per the laws and regulations to safeguard the interest of the shareholders and other stakeholders. The Committee fulfils their duty with regard to;

- Assisting the Board in overseeing the preparation, presentation and adequacy of disclosures in the financial statements in compliance with financial reporting standards of the Institute of the Chartered Accountants of Sri Lanka, Companies Act No.07 of 2007, the Sri Lanka Accounting and Auditing Standards and the Continuing Listing Rules of the Colombo Stock Exchange in a timely and accurate manner.
- Ensuring that adequate internal controls are in application to meet the requirements of the SLFRS/LKAS and evaluate the effectiveness of the risk management processes to mitigate risks.
- Assessing the independence and monitoring the performance and functions of internal and external auditors.
- Deciding of the independence of the external auditors.
- Making recommendations to the Board relating to appointment, re-appointment and removal of the external auditors.

- Ensuring the Company's compliance with legal and regulatory requirements including the performance of the Company's compliance function.

Internal Audit

The Committee evaluated the Internal Audit Division's findings and suggestions, as well as management reactions, and tracked the execution of those recommendations in order to strengthen the overall control environment. The Committee also examined the efficacy of the internal audit plan to determine that it was designed to give the Financial Statements reasonable certainty.

External Audit

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

The External Auditors' performance has been evaluated and discussed with the Company's senior management, and the Committee has recommended to the Board that KPMG be re-appointed as the External Auditors of Lanka Milk Foods (CWE) PLC for the financial year ending March 31, 2022, 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 confidence that the Company's affairs are managed in accordance with its policies, and that its assets are correctly accounted for and sufficiently safeguarded. The Committee is furthermore satisfied that the Group's Internal and External Auditors performed well and were independent throughout the fiscal year under consideration.



D S K Amarasekera

Chairman - Audit Committee
03rd September 2021

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee appointed by and responsible to the Board of Directors comprise of two Independent Non-Executive Directors in compliance with the section 7.10.5 of listing rules of the Colombo Stock Exchange. Mr. D S K Amarasekera, a member of the Institute of Chartered Accountants of Sri Lanka, an Attorney-at-Law of the Supreme Courts of Sri Lanka, an Independent Non-Executive Director, acts as the Chairman of the Audit Committee. The other member of the Audit Committee is Dr. A. Shakthevale, an Independent Non-Executive Director. A brief profile of each member is presented on pages 24 - 27 of this report.

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

Committee Meetings

The Committee met four times during the year. Members of the Company and the Chief Financial Officer attended these meetings.

Name	10/7/20	12/8/20	11/11/20	8/2/21
Mr. D S K Amarasekera	√	√	√	√
Dr. A Shakthevale	√	√	√	√

The Remuneration Policy

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

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

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



D S K Amarasekera

Chairman - Remuneration Committee

03rd September 2021

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Purpose of the Committee

The purpose of the Committee as set out in Appendix 9A of the CSE Listing Rules is to review all related Party Transactions except for transactions set out in Rule 9.5, either prior to the transaction being entered into or if the transaction is expressed to be conditional on such review, prior to completion of the transaction.

Composition of the Committee

The Related Party Transaction Review Committee is responsible for the Board of Directors and comprises of two Independent Non-Executive Directors and one Non Independent Non-Executive Director. The Chairman of the Related Party Transaction Review Committee is Mr. D S K Amerasekera, 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 comprises of Dr. A Shakthevale, Independent Non-executive Director and Mr. D Hasitha S Jayawardena, Non Independent Non-Executive Director.

A brief profile of each member is given on pages 24 - 27 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 in each quarter, and the attendance of committee members is listed in the table below.

Name	26/6/20	30/9/20	30/12/20	26/3/21
Mr. D S K Amerasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓
Mr. D Hasitha S Jayawardena	✓	✓	✓	✓

Attendance

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

Activities during the Year

Each quarter disclosures in relation to post quarter confirmations and proposed transaction disclosures were obtained from the senior management and the Group related companies. The Committee reviewed all such disclosures at the quarterly meetings and communicated the observations to the Board with minutes of the Committee meetings.

Responsibilities of the Committee

The Committee's primary objective is to analyse all proposed Related Party Transactions prior to entering or completing transactions in accordance with the criteria outlined in Section 9 of the Colombo Stock Exchange's Listing Rules.

On a quarterly basis, the Committee is in charge of analysing any proposed related party transactions as well as any post-quarter confirmations received from Group companies and Key Management Personnel, and making recommendations to Management and the Board on the best course of action.

The Committee's activities are reported to the Board through the presentation of Committee Meeting minutes at Board meetings. In addition, the threshold for related-party transactions that require shareholder approval or prompt market disclosures, as well as the criteria for designating Key Management Personnel, are also evaluated on an annual basis.

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

The Directors declare that the Company is in compliance with section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2021.



D S K Amerasekera

Chairman
Related Party Transactions Review
Committee
03rd September 2021

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors of Lanka Milk Foods (CWE) PLC has pleasure in presenting the 39th Annual Report and the Audited Financial Statements of the Company and the Group, for the financial year ended 31st March 2021. The details set in here provide the pertinent information required by the Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and the best reporting practices.

The Company was incorporated on 12th November 1981 as a Public Limited Liability Company and quoted on the Colombo Stock Exchange in year 1983 and was registered under the provisions of the Companies Act no 07 of 2007. The Cooperative Wholesale Establishment managed the Company until its privatization in year 1991.

Principal Activities

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

Performance Review

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

Refer Note 13, Investment in Subsidiaries and Note 30, Principal Subsidiaries Details of Subsidiaries for more information. A segmental analysis of the activities of the Group is given in Note 33 to the Financial Statements.

Accounting policies and changes during the year

The accounting policies adopted in the preparation of the financial statements are in accordance with Sri Lanka Accounting Standards and are presented on the pages 86 to 100. 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 2021 were prepared in accordance with SLFRSs/LKASs, the Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. The Audited Financial Statements approved by the Board of Directors on 03 September 2021 are provided on pages 80 to 141. The Auditor's Report on the Financial Statements of the Company and the Group is set out on pages 76 -79.

Summary of Statement of Profit and Loss and Other Comprehensive Income

For the Year Ended 31st March	Group	Group
	2021	2020
	Rs.000's	Rs.000's
Net profit before tax	833,946	400,368
Provision for taxation including deferred tax	7,818	(109,705)
Net profit after tax	841,764	290,663
Other comprehensive income	111,297	1,315,280
Total comprehensive income	953,061	1,605,943
Amount attributable to minority interest	(78)	(10,589)
Total comprehensive income attributable to the shareholders	953,139	1,616,532
Balance brought forward from previous year	9,412,543	7,846,009
Final Dividend for 2019/2020 (2019/2018)	(99,995)	(49,998)
Amount available for appropriations	10,265,687	9,412,543
Stated Capital	999,950	999,950
Balance attributable to shareholders at the end of the year	11,265,637	10,412,493

Revenue

The group revenue for the reporting year ended 31st March 2021 was Rs. 7,597 million. (Rs. 6,704 million in preceding year). Lanka Milk Foods (CWE) PLC, the Company recorded a revenue of Rs. 3,101 million for the financial year. (Rs. 3,031 million in preceding year)

Donations

During the year, the total donations made by the Group amounted to Rs. 185,000.

Taxation

The income tax expense of the Group for the year amounted to Rs.58 million (Rs.12.6 in the previous year) while

deferred tax credit for the financial year amounted to Rs.66 million (an expense of Rs.97 million in the previous year). The total income tax credit is Rs.7.8 million for the year (Rs. 109.7 million expense in last year). The tax expenses of the Group and Company are elaborated in Note. 9 to the financial statements.

Dividends

In respect of the year ended 31st March 2021, the Directors have declared a dividend of Rs.5.00 per share. (Rs.2.50 in previous year) As per LKAS 10 Events after the reporting period, the final dividend recommended has not been recognised at the date of Financial Position.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

SUMMARY OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND GROUP

Stated Capital

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

Reserves

The total Group Reserves as at 31st March 2021 amounted to Rs.10.3 billion (2019 /2020 – Rs. 9.4 billion) The movements of reserves during the period are given under the Statement of Changes in Equity on pages 82 - 83.

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 105.

Land Holdings

Details of leasehold land owned by the Company are given in Note 29 to the Financial Statements on page 122.

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2021 are given in Note 14 to the Financial Statements on page 109.

Contingent Liabilities

Except as disclosed in Note 31 to the Financial Statements on page 124, there were no material contingent liabilities as at the reporting date.

Events after the Reporting Period

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

Going Concern

The Board has examined the current and prospective implications of COVID-19 on the Group Companies, as well as the appropriateness of using the going concern basis, in determining the basis for preparing the financial statements for the year ended 31st March 2021. 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
Ms. D. S.C. Jayawardena	Executive Director
Mr. D. S. K. Amarasekera	Independent Non-Executive Director
Dr. A. Shakthevale	Independent Non-Executive Director
Mr. D. Hasitha. S. Jayawardena	Non-Independent Non-Executive Director
Ms. D. S. T. Jayawardena	Executive Director

Brief profiles of the Director's as at 31st March 2021; appear on pages 24 - 27 of this report.

Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

	As at 31st March 2021	As at 31st March 2020
Mr. D. H. S. Jayawardena	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Ms. D. S. C. Jayawardena	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 Interests Register in accordance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the Company's shares as of March 31, 2021 are recorded in the Interests 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 102 to the consolidated financial statements.

Directors' Responsibility for Financial Reporting

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

Related Party Disclosures

Transactions with entities that are controlled, jointly controlled or significantly influenced by key managerial personnel or their close members of family or shareholders who have either control, significant influence or joint control over entity are set out in Note 34 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 34 to the Financial Statements, as well as that the requirements as per the listing rules of the Colombo Stock Exchange has been complied with.

Employees

The number of persons employed by the Company as at 31st March 2021 was 299 (304 as at 31st March 2020) and by the Group 752 (735 as at 31st March 2020).

Employment Policies

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

OTHER INFORMATION

Shareholder Information

Information on the twenty largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on pages 142 - 143 under Investor Information.

There were 4,495, registered shareholders, holding ordinary voting share at the financial year-end. (3075 registered shareholders as at 31st March 2020)

Share Information

An Ordinary share of the Company (LMF. N0000) was quoted on the Colombo Stock Exchange at Rs.150.25 as at 31st March 2021 (Rs. 74.00 as at 31st March 2020). During the year the share price fluctuated between Rs.70.40 and Rs.165.50.

Information in relation to earnings, dividends, net assets and market value per share is given in the Ten Year Summary on page 144 of this report.

Auditors

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

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

Statutory Payments

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

Risk Management

The Risk Management processes currently practiced by the Company to identify and manage potential risks are given on page 62 - 65.

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 52 - 61.

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Board Sub-Committees

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 General Meeting

The 39th Annual General meeting of the Company will be held at Lanka Milk Foods (CWE) PLC as a virtual/hybrid meeting on Thursday, 30th of September 2021 at 10.00 a.m. The Notice of Meeting appears on page 146 of the report.

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



Mr. D. H. S. Jayawardena
Chairman



Mr. C. R. Jansz
Director



Ms. H. K. Bulathwatte
Company Secretary
Lanka Milk Foods (CWE) PLC
03rd September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act No.7 of 2007 requires the Directors of the Company to be responsible for ensuring compliance of the requirements set out therein to prepare Financial Statements and other statutory reports for each financial year giving true and fair view of the state of affairs such as profit and loss of the Company and its subsidiaries as at the reporting date. The responsibilities of the Directors in relation to financial statements of Lanka Milk Foods (CWE) PLC the Company and the Group are set out in this report.

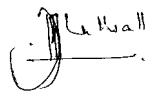
The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that proper accounting records and policies have been maintained in the preparation of the Financial Statements which have been prepared and presented in accordance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

The Directors have taken adequate measures to safeguard the assets of the Group and have established implementation of appropriate internal control systems in order to prevent and detect fraud and other irregularities.

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

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

On behalf of the Board of Directors



Ms. H. K. Bulathwatte
Company Secretary
03rd September 2021



Value that Lasts

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT



KPMG
(Chartered Accountants)
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Internet www.kpmg.com/lk

TO THE SHAREHOLDERS OF LANKA MILK FOODS (CWE) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Lanka Milk Foods (CWE) PLC ("the Company") and the Consolidated Financial Statements of the Company and its Subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 2021, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies set out on page 80 to 141.

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 31 March 2021, 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 Notes 3.3.4 and 15 to the Financial Statements

Risk Description

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

The balance of the Group's biological assets, which are measured at fair value less cost to sell, was Rs. 1,121.1 Mn, as at 31 March 2021, with a gain arising from changes in fair value less costs to sell of biological assets for the year ended 31 March 2021 recorded in the Statement of Profit or Loss and Other Comprehensive Income of Rs. 345 Mn. Management has used 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 Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial Statements and Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our response

Our audit procedures included,

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

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M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

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

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. P. M. K. Sumanasekara FCA, W. A. A. Weerasekara CFA, ACMA, MRICS

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.

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

Impairment of Investments in Subsidiaries

Refer Note 13 to the Financial Statements

Risk Description

The Company hold cost of investments in Subsidiaries amounting to Rs. 1,193.6 Mn as at 31 March 2021.

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

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

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

Our response

Our audit procedures included,

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Financial Statements and our auditor's report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Financial Information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.



CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
03 September 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March	Note	Group		Company	
		2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Revenue	5	7,597,192	6,703,854	3,101,450	3,030,915
Cost of Sales		(6,519,974)	(6,040,624)	(2,981,161)	(2,874,305)
Gross Profit		1,077,218	663,230	120,289	156,610
Other Operating Income	6	835,427	749,178	558,303	446,031
Administrative Expenses		(564,467)	(493,549)	(259,605)	(220,541)
Distribution Expenses		(362,199)	(276,700)	(149,389)	(117,810)
Other Operating Expenses		(109,214)	(131,350)	-	(72,769)
Profit from Operations		876,765	510,809	269,598	191,521
Finance Income	7.1	77,535	33,501	73,996	20,784
Finance Expense	7.2	(120,354)	(143,942)	(36,108)	(29,920)
Net Finance Income / (Expense)	7	(42,819)	(110,441)	37,888	(9,136)
Profit Before Income Tax Expenses	8	833,946	400,368	307,486	182,385
Income Tax (Expense)/ Reversal	9	7,818	(109,705)	(14,436)	(52,449)
Profit for the Year		841,764	290,663	293,050	129,936
Other Comprehensive Income					
Items that will never be reclassified to profit or loss					
Net Change in Fair Value of Equity Securities - at FVOCI	14.1.1	138,911	1,318,811	138,911	1,318,811
Actuarial Gain/(Loss) on Retirement Benefit Obligation	24.1	(32,767)	(4,471)	(16,403)	(2,589)
Tax on Other Comprehensive Income	23.3	5,153	940	2,953	725
Other Comprehensive Income for the Year		111,297	1,315,280	125,461	1,316,947
Total Comprehensive Income		953,061	1,605,943	418,511	1,446,883
Profit Attributable to :					
Owners of the Company		841,842	301,252	293,050	129,936
Non Controlling Interest		(78)	(10,589)	-	-
Profit for the Year		841,764	290,663	293,050	129,936
Total Comprehensive Income Attributable to					
Owners of the Company		953,139	1,616,532	418,511	1,446,883
Non Controlling Interest		(78)	(10,589)	-	-
Total Comprehensive Income for the Year		953,061	1,605,943	418,511	1,446,883
Figures in brackets indicate deductions.					
Earnings per share	10				
Basic Earnings per share	10.1	21.05	7.53	7.33	3.25
Diluted Earnings per share	10.2	21.05	7.53	7.33	3.25

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 86 to 141.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group		Company	
		2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Assets					
Non Current Assets					
Property, Plant and Equipment	12	3,050,465	2,026,997	143,283	136,964
Investment in Subsidiaries	13	-	-	1,065,000	1,065,000
Investment in Equity Securities	14.1	7,576,553	7,437,642	7,576,553	7,437,642
Biological Assets	15.1	1,121,110	845,912	-	-
Deferred Tax Asset	23	12,059	23,542	12,059	23,542
Right of use assets	29.1	283,388	316,833	335	363
Net Investment	29.2	-	45,863	-	-
Total Non Current Assets		12,043,575	10,696,789	8,797,230	8,663,511
Current Assets					
Inventories	16	1,206,992	1,004,392	439,541	358,547
Biological Assets	15.2	28,700	21,322	-	-
Investment in Equity Securities	14.2	197,002	209,061	197,002	209,061
Trade Receivables	17	646,109	719,576	228,608	345,082
Other Receivables	18	86,905	128,824	53,253	50,198
Amounts Due from Related Companies	19	24,995	73,495	728,200	544,979
Current Tax Assets		29,132	80,297	20,322	30,381
Cash and Cash Equivalents	20	237,740	20,487	228,851	11,317
Total Current Assets		2,457,575	2,257,454	1,895,777	1,549,565
Total Assets		14,501,150	12,954,243	10,693,007	10,213,076
Equity and Liabilities					
Equity					
Stated Capital	21	999,950	999,950	999,950	999,950
Capital Reserves	22.1	105,116	105,116	105,116	105,116
Available for Sale Reserve		7,005,467	6,866,556	7,005,467	6,866,556
Revenue Reserves	22.2	3,155,104	2,440,871	1,924,237	1,744,632
Total Equity attributable to Equity Holders of the Company		11,265,637	10,412,493	10,034,770	9,716,254
Non Controlling Interests		362	440	-	-
Total Equity		11,265,999	10,412,933	10,034,770	9,716,254
Liabilities					
Non Current Liabilities					
Loans and Borrowings	25	1,207,551	288,019	-	-
Lease Liabilities	29.3	277,014	333,105	306	320
Deferred Tax Liabilities	23	152,612	235,183	-	-
Retirement Benefit Obligations	24	161,972	115,477	86,153	63,375
Total Non Current Liabilities		1,799,149	971,784	86,459	63,695
Current Liabilities					
Trade and Other Payables	26	349,208	356,543	95,516	73,504
Amounts Due to Related Companies	27	164,090	10,055	139,566	3,641
Income Tax Payable		33,704	-	-	-
Loans and Borrowings	25	338,953	66,812	300,000	-
Lease Liabilities	29	34,376	34,025	59	59
Bank Overdraft	20	515,671	1,102,091	36,637	355,923
Total Current Liabilities		1,436,002	1,569,526	571,778	433,127
Total Liabilities		3,235,151	2,541,310	658,237	496,822
Total Equity and Liabilities		14,501,150	12,954,243	10,693,007	10,213,076

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 86 to 141.

I certify that the financial statements have been prepared and presented 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

Chairman

03 September 2021

Colombo



C.R. Jansz

Director

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March Group	Attributable to Equity Holders of the Company							
	Stated Capital	Revaluation Reserve	Dairy Development Project Reserve	FVOCI Reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Balance as at 1st April 2019	999,950	105,116	110,000	5,547,745	2,083,148	8,845,959	11,029	8,856,988
Total Comprehensive Income								
Profit for the Year	-	-	-	-	301,252	301,252	(10,589)	290,663
Other Comprehensive Income								
Net change in Fair Value of Available for Sale Investments	-	-	-	1,318,811	-	1,318,811	-	1,318,811
Actuarial Loss on Retirement Benefit Obligations	-	-	-	-	(4,471)	(4,471)	-	(4,471)
Tax on Other Comprehensive Income	-	-	-	-	940	940	-	940
Total Other Comprehensive income/ (Expenses) for Year				1,318,811	(3,531)	1,315,280	-	1,315,280
Total Comprehensive income for the Year	-	-	-	1,318,811	297,721	1,616,532	(10,589)	1,605,943
Transactions with Owner directly recorded in the Equity								
Contributions by and Distributions to Owners								
Final dividends for 2018/2019	-	-	-	-	(49,998)	(49,998)	-	(49,998)
Total Contributions by and Distributions to Owners					(49,998)	(49,998)	-	(49,998)
Balance as at 31 March 2020	999,950	105,116	110,000	6,866,556	2,330,871	10,412,493	440	10,412,933
Balance as at 1st April 2020	999,950	105,116	110,000	6,866,556	2,330,871	10,412,493	440	10,412,933
Total Comprehensive Income								
Profit for the Year	-	-	-	-	841,842	841,842	(78)	841,764
Other Comprehensive Income								
Net change in Financial instrument measured at FVOCI	-	-	-	138,911	-	138,911	-	138,911
Actuarial Loss on Retirement Benefit Obligations	-	-	-	-	(32,767)	(32,767)	-	(32,767)
Tax on Other Comprehensive Income	-	-	-	-	5,153	5,153	-	5,153
Total Other Comprehensive income/ (Expenses) for Year				138,911	(27,614)	111,297	-	111,297
Total Comprehensive income for the Year	-	-	-	138,911	814,228	953,139	(78)	953,061
Transactions with Owner directly recorded in the Equity								
Contributions by and Distributions to Owners								
Final dividends for 2019/2020 (Note 11)	-	-	-	-	(99,995)	(99,995)	-	(99,995)
Total Contributions by and Distributions to Owners	-	-	-	-	(99,995)	(99,995)	-	(99,995)
Balance as at 31 March 2021	999,950	105,116	110,000	7,005,467	3,045,104	11,265,637	362	11,265,999

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 86 to 141.

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 1 April 2019	999,950	105,116	110,000	5,547,745	1,556,558	8,319,369
Total Comprehensive Income						
Profit for the Year	-	-	-	-	129,936	129,936
Other Comprehensive Income						
Net change in Fair Value of Available for Sale Investments	-	-	-	1,318,811	-	1,318,811
Actuarial Loss on Retirement Benefit Obligations	-	-	-	-	(2,589)	(2,589)
Tax on Other Comprehensive Income	-	-	-	-	725	725
Total Other Comprehensive income/ (Expenses) for Year	-	-	-	1,318,811	(1,864)	1,316,947
Total Comprehensive Income for the Year	-	-	-	1,318,811	128,072	1,446,883
Transactions with Owner directly recorded in the Equity						
Contributions by and Distributions to Owners						
Final dividends for 2018/2019	-	-	-	-	(49,998)	(49,998)
Total Contributions by and Distributions to Owners	-	-	-	-	(49,998)	(49,998)
Balance as at 31 March 2020	999,950	105,116	110,000	6,866,556	1,634,632	9,716,254
Balance as at 1st April 2020	999,950	105,116	110,000	6,866,556	1,634,632	9,716,254
Total Comprehensive Income						
Profit for the Year	-	-	-	-	293,050	293,050
Other Comprehensive Income						
Net change in Fair Value of Available for Sale Investments	-	-	-	138,911	-	138,911
Actuarial Loss on Retirement Benefit Obligations	-	-	-	-	(16,403)	(16,403)
Tax on Other Comprehensive Income	-	-	-	-	2,953	2,953
Total Other Comprehensive income/ (Expenses) for Year	-	-	-	138,911	(13,450)	125,461
Total Comprehensive Income for the Year	-	-	-	138,911	279,600	418,511
Transactions with Owner directly recorded in the Equity						
Contributions by and Distributions to Owners						
Final dividends for 2019/2020 (Note 11)	-	-	-	-	(99,995)	(99,995)
Total Contributions by and Distributions to Owners	-	-	-	-	(99,995)	(99,995)
Balance as at 31 March 2021	999,950	105,116	110,000	7,005,467	1,814,237	10,034,770

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 86 to 141.

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	Note	Group		Company	
		2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Cash Flow from Operating Activities					
Profit Before Income Tax Expenses		833,946	400,368	307,486	182,385
Adjustments for;					
Depreciation on Property, Plant and Equipment	12.1/12.2	198,212	233,464	18,406	16,753
Amortisation of Right to use of Asset	29.1	12,242	11,419	28	28
Changes in Fair Value of Equity Securities at FVTPL	7.2	17,933	3,089	17,933	3,089
Provision / (Reversal) of Impairment of Investments in Subsidiary		-	-	-	11,022
Provision of Impairment for Amounts due from Related Companies		222	-	-	61,748
ESC Written-off		26,752	29,634	10,059	15,251
Provision / (Reversal) of Impairment of Trade Receivables	17.1	(8,163)	8,694	(3,393)	4,355
Provision on Impairment of Other Receivables	18	3,648	-	-	-
Gain on Disposal of Property, Plant and Equipment	6	(148)	(3,141)	-	-
Provision for Retirement Benefit Obligation	24.1	26,132	21,061	13,691	11,359
(Reversal)/ Provision for Obsolete of Inventories	16.1	6,313	(3,448)	915	15,623
Change in Fair Value of Biological Assets	15.1	(345,073)	(285,796)	-	-
Loss/ (Gain) on Disposal of Biological Assets	6	(13,374)	(132)	-	-
Lease Rental Income		(5,000)	-	-	-
Loss on Disposal of Net Investment on Sub Lease		1,599	-	-	-
Dividend Income	6	(427,108)	(367,996)	(527,108)	(367,996)
Interest Income on Net Investment	7.1	-	(5,876)	-	-
Interest income	7.1	(2,693)	(3,072)	(11,380)	(4,320)
Interest Expense on Lease Liability	7.2	45,369	48,055	53	55
Interest Expense	7.2	57,052	92,798	18,122	26,776
Operating Profit/(Loss) before working capital changes		427,861	179,121	(155,188)	(23,872)
Changes in Working Capital ;					
(Increase)/ Decrease in Inventories		(187,591)	413,874	(81,909)	285,482
(Increase)/Decrease in Trade and Other Receivables		119,901	(238,024)	116,812	(129,836)
(Increase)/Decrease in Amounts due from Related Companies		48,278	(29,065)	(183,221)	(191,372)
Increase/(Decrease) in Amounts due to Related Companies		154,035	2,078	135,925	(33,453)
Increase/(Decrease) in Trade and Other Payables		(7,335)	(218,489)	22,012	(273,291)
Cash Flows generated from/(used in) Operations		555,149	109,495	(145,569)	(366,342)
Interest Paid		(57,052)	(92,798)	(18,122)	(26,776)
Income Tax Paid		-	(38,213)	-	(14,237)
Retiring Gratuity Paid	24	(12,404)	(11,644)	(7,316)	(8,580)
Net cash flows generated from/(used in) operations		485,693	(33,160)	(171,007)	(415,935)

For the Year Ended 31 March	Note	Group		Company	
		2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Cash Flow from Investing Activities					
Interest Received	7.2	2,693	3,072	11,380	4,320
Dividend Received		423,256	367,996	523,256	367,996
Investment in Equity Securities at FVTPL		(2,022)	(2,311)	(2,022)	(2,311)
Acquisition of Biological Assets	15.2	(28,700)	(21,322)	-	-
Income from Lease Hold Premises		5,000	2,399	-	-
Proceeds from Disposal of Property, Plant and Equipment		338	3,141	-	-
Proceeds from Sale of Biological Assets		83,249	144,188	-	-
Purchase and Construction of Property, Plant and Equipment		(1,221,870)	(972,828)	(24,725)	(17,491)
Net Cash Flows generated from/(used in) Investing Activities		(738,056)	(475,665)	507,889	352,514
Cash Flow from Financing Activities					
Repayment of Borrowings during the Year	25	(383,735)	(66,812)	(200,000)	-
Lease payment made during the Year	29.3	(35,642)	(34,877)	(67)	(67)
Loan Obtained During the Year	25	1,575,408	171,096	500,000	-
Dividend Paid		(99,995)	(49,998)	(99,995)	(49,998)
Net Cash Flows generated from/(used in) Financing Activities		1,056,036	19,409	199,938	(50,065)
Net Increase/(Decrease) in Cash and Cash Equivalents		803,673	(489,416)	536,820	(113,486)
Cash and Cash Equivalents at the beginning of the Year		(1,081,599)	(592,183)	(344,601)	(231,115)
Cash and Cash Equivalents at the end of the Year		(277,926)	(1,081,599)	192,219	(344,601)
Note B					
Analysis of Cash and Cash Equivalents at the end of the Year					
Cash and Cash Equivalents	20	237,745	20,492	228,856	11,322
Bank Overdraft	20	(515,671)	(1,102,091)	(36,637)	(355,923)
		(277,926)	(1,081,599)	192,219	(344,601)

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 86 to 141.

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 2021 comprise of the financial information of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

1.2 Principal Activities And Nature Of Operations

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and Financial Statements of the Company, have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 7 of 2007 and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange (CSE).

These Financial Statements include the following components:

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

- Statement of Changes in Equity depicting all changes in shareholders’ funds during the year under review of the Company and the Group.

- Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and utilization of those cash flows.

- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.2 Directors Responsibility for Financial Statements

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

2.3 Approval of Financial Statements

The Consolidated Financial Statements of the Company for the year ended 31 March 2021 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 03 September 2021.

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

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

2.5 Functional and Presentation Currency

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

2.6 Materiality and Aggregation

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

2.7 Use of Judgements and Estimations

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

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

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

2.7.1 Judgements

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

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

2.7.2 Assumption

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2021 is included in the following notes:

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

2.7.3 Impact of COVID-19 pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements.

The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and house prices). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group has developed various accounting estimates in these Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group.

NOTES TO THE FINANCIAL STATEMENTS

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and recoverable amount assessments of non-financial assets.

2.8 Going Concern

In preparing these financial statements, the management has assessed the existing and anticipated effect of the COVID-19 on the Group and the appropriateness of the use of the going concern basis of preparation giving special attention on short to medium term economic outlook.

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.

2.10 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to

offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Company.

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 nonfinancial assets and liabilities.

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

Level 1:

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

Level 2:

inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3:

inputs are inputs that are not based on observable market data (unobservable inputs).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of Consolidation

3.1.1 Business Combinations

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

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

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

The Group measures goodwill at the acquisition date as:

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

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

3.1.2 Subsidiaries

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

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

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

3.1.3 Non-Controlling Interests ("NCI")

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

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

3.1.4 Loss of Control

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

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

3.1.5 Transactions eliminated on Consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

3.2 Foreign Currency Transactions

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

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

3.3 Statement of Financial Position

3.3.1 Property, Plant and Equipment

3.3.1.1 Freehold Assets Recognition

3.3.1.1.1 Recognition

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

3.3.1.1.2 Measurement

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

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

3.3.1.1.3 Subsequent Cost

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

3.3.1.1.4 De-recognition

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

3.3.1.1.5 Depreciation

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

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

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

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows.

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

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

e. Capital Work-In-Progress

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

3.3.1.2 Impairment of Non-Financial Assets

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

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

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

An impairment loss is recognized in profit or loss.

3.3.2 Leases

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

3.3.2.1 As a Lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

The Group determines its incremental borrowing rate by analyzing 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

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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.

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 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.

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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).

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.
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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.
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Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in 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

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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.

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 2021. The valuation method used by the actuary is "Projected Unit Credit Method". The Group recognizes any actuarial gains & losses arising from defined benefit plan immediately in Other Comprehensive income and all expenses related to defined benefit plan in personnel expenses in the Statement of Profit or Loss and Other Comprehensive Income.

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

The liability is not externally funded.

b.Short Term Benefits

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

3.3.8 Provisions, Contingent Assets and Contingent Liabilities

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

A Contingent Liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or 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, 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 fulfilment 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.

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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	<p>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).</p> <p>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.</p>	Revenue is recognized once the performance obligations are fulfilled based on the trade terms.
Sale of farm products	The Company 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.

3.4.1.2 Other Revenue

3.4.1.2.1 Dividend Income

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

3.4.1.2.2 Rent Income

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

3.4.2 Other Operating Income

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

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

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

3.4.3 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable

to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalized as part of that asset.

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

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

3.4.4 Finance Income and Expense

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

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

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

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

3.4.5 Income Tax Expense

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

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

a. Current Tax Expense

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

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 33 to the Financial Statements.

3.4.8 Related Party Transactions

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

3.4.9 Comparative Information

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

3.4.10 Statement of Cash Flows

The Statement of Cash Flows has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 'Statement of Cash Flows.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

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

4.1 Standards issued but not yet effective

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

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

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Reference of Conceptual Framework (Amendments to SLFRS 3 – Business Combination)

The amendments update an outdated reference to the Conceptual Framework in SLFRS 3 without significantly changing the requirements in the standard.

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

- Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an

allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Interest benchmark reform phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

The amendments in Interest Rate Benchmark Reform clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

- COVID-19 related concessions (Amendments to SLFRS 16)

Introduces an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance

The practical expedient applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

- Annual Improvements to SLFRS Standards issued during 2018-2020

IFRS issued improvements to standards issued during the period 2018 to 2020 with improved clarifications and amendments to IFRS 1, IFRS 9, IFRS 9 and IAS 41.

4.2 Changes in accounting standards

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

- » Amendments to SLFRS 3: Definition of a Business.
- » Amendments to LKAS 1 and LKAS 8: Definition of Material.
- » Conceptual Framework for Financial Reporting.

For the Year Ended 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
5 REVENUE				
Gross Revenue	7,597,192	6,799,706	3,101,450	3,070,431
Less : Nation Building Tax	-	(95,852)	-	(39,516)
	7,597,192	6,703,854	3,101,450	3,030,915
6 OTHER OPERATING INCOME				
Gain on disposal of Property, Plant and Equipment	148	3,141	-	-
Gain on disposal of Biological Assets	13,374	132	-	-
Change in Fair Value of Biological Assets	345,073	285,796	-	-
Commission Income	16,218	42,598	16,218	42,598
Dividend Income	427,108	367,996	527,108	367,996
Reversal of Related Companies Payable Balance	1,285	-	-	21,309
Sundry Income	6,298	37,600	1,584	4,128
Storage Income	10,000	10,000	10,000	10,000
Other Income	2,760	1,915	-	-
Lease Rental Income	5,000	-	-	-
Reversal of Provision for Impairment of Trade Receivable	8,163	-	3,393	-
	835,427	749,178	558,303	446,031
7 NET FINANCE INCOME / (EXPENSE)				
7.1 Finance Income				
Interest on Fixed Deposits	1,760	1,257	1,552	1,152
Interest on Loans and Receivables	761	748	603	593
Interest Income from net Investment (Sublease)	-	5,876	-	-
Interest from Trade Receivables	172	1,067	163	971
Gain on translation of Foreign Currency	74,842	24,553	62,616	16,464
Interest on Amount due from Related Companies	-	-	9,062	1,604
	77,535	33,501	73,996	20,784
7.2 Finance Expense				
Interest on Bank Overdraft	(38,964)	(66,175)	(10,797)	(26,776)
Interest on Lease Liability	(45,369)	(48,055)	(53)	(55)
Interest on Long Term Borrowings	(18,088)	(26,623)	(7,325)	-
Loss on Changes in Equity Securities at FVTPL	(17,933)	(3,089)	(17,933)	(3,089)
	(120,354)	(143,942)	(36,108)	(29,920)
Net Finance Income / (Expense)	(42,819)	(110,441)	37,888	(9,136)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
8 PROFIT BEFORE INCOME TAX EXPENSES				
Profit from operations is stated after charging the following:				
Directors' Emoluments	1,500	1,500	1,500	1,500
Auditors' Remuneration				
- Audit Services	5,236	5,173	3,154	2,920
- Audit Related Services	760	1,689	690	1,489
Non Audit Services Fees	898	1,206	430	407
Impairment of Investment in Subsidiaries (Note 13.1)	-	-	-	11,022
Depreciation on Property, Plant and Equipment	198,212	233,464	18,406	16,753
Amortisation of Right of use assets (Note 29.1)	12,242	11,419	28	28
Provision/(Reversal) for Impairment Loss on Trade Receivables (Note 17.1)	(8,163)	8,694	(3,393)	4,355
Management fees	1,000	1,000	1,000	1,000
Provision/ (Reversal) for Obsolete Inventory (Note 16.1)	6,313	(3,448)	915	15,623
Personnel Costs (Note 8.1)	800,031	590,047	400,830	282,019
8.1 Personnel Costs				
Defined Contribution Plan Costs - EPF and ETF	57,675	49,660	29,163	25,451
Defined Benefit Plan Cost - Retirement Benefit Obligation	26,132	21,061	13,691	11,359
Other Staff Costs	716,224	519,326	357,976	245,209
	800,031	590,047	400,830	282,019
Total Number of Employees as at Year End	752	735	299	304
9 INCOME TAX EXPENSE				
Current Tax Expense				
Income Tax for the year (Note 9.1.1)	63,848	12,688	-	-
(Over)/Under provision of income tax	(5,731)	-	-	-
	58,117	12,688	-	-
Deferred Tax Expense				
Deferred Tax Charge /(Credit) for the Year (Note 23)	(12,182)	97,017	7,737	52,449
Impact on deferred tax from rate change (Note 23)	(53,753)	-	6,699	-
	(65,935)	97,017	14,436	52,449
Total Income Tax Expense	(7,818)	109,705	14,436	52,449
Effective tax rate (%)-including deferred tax	-	27%	5%	29%
Effective tax rate (%)-excluding deferred tax	7%	3%	-	-

9 INCOME TAX EXPENSE (CONTINUED)

- a) The profits and income of Lanka Milk Foods (CWE) PLC is liable for income tax at the rate 18% (2020-28%) in terms of the Provisions of the Inland Revenue Act No.24 of 2017 and subsequent amendments thereto.
- b) In terms of the provisions of Inland Revenue Act No.24 of 2017 and subsequent amendments thereto, the profits and income of Lanka Dairies (Private) Limited, that generated from agro processing are taxed at the rate of 14% , manufacturing income taxed at the rate of 18% and other income are liable for income tax at the rate of 24%. (2020-28%) and Indo Lanka Exports (Private) Limited is taxed at the rate of 14%. (2020- 14%)
- c) The profits and income of Ambewela Livestock Company Limited and Pattipola Livestock Company Limited is exempt for income tax in terms of the Provisions of the Inland Revenue Act No.24 of 2017. (2020 - 14%)
- d) As per the agreement entered into with Board of Investment of Sri Lanka, the profit of the Ambewela Products (Private) Limited, a subsidiary company is exempt from income tax for a period of 10 years from the year of assessment the enterprise commence to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operation of the enterprise, whichever comes first. The said exemption is commenced with effect from the Y/A 2011/12 for 10 years.

For the Year Ended 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
9.1 Numerical Reconciliation of Accounting Profit to Income Tax Expense				
Profit before Income Tax Expenses	833,946	400,368	307,486	182,385
Consolidation Adjustments	89,454	(94,378)	-	-
	923,400	305,990	307,486	182,385
Disallowable Expenses	389,239	507,292	61,945	120,636
Tax Deductible Expenses	(313,881)	(222,090)	(17,899)	(14,415)
Tax Exempt Income	(921,495)	(704,745)	(541,719)	(389,305)
Gain on Disposal of Asset/ Livestock	196,344	154,789	-	-
Net business income/ (loss) (Note 9.1.1)	273,607	41,236	(190,187)	(100,699)
9.1.1 Business Income	446,134	283,135	-	-
Business Income exempted	261,167	129,199	-	-
Business Loss (Note 9.2)	(433,694)	(371,098)	(190,187)	(100,699)
	273,607	41,236	(190,187)	(100,699)
Business Income	446,134	283,135	-	-
Non Business Income	161,508	1,147	157,740	-
Tax Loss Claimed during the Year (Note 9.2)	(157,744)	(238,968)	(157,740)	-
Taxable Income	449,898	45,314	(157,740)	-
Income Tax @ 28%	-	12,688	-	-
Income Tax @ 24%	879	-	-	-
Income Tax @ 18%	2,232	-	-	-
Income Tax @ 14%	60,737	-	-	-
	63,848	12,688	-	-

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE (CONTINUED)

For the Year Ended 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
9.2 Accumulated Tax Losses				
Tax loss brought forward	2,000,776	1,836,633	790,595	670,698
Adjustments related to Prior Years	(69,040)	32,013	(46,739)	19,198
Loss for the Year	433,694	371,098	190,187	100,699
Tax Loss claimed during the Year	(157,744)	(238,968)	(157,740)	-
Tax Loss carried Forward	2,207,686	2,000,776	776,303	790,595

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	
	2021	2020	2021	2020
Profit Attributable to Ordinary Shareholders (Rs.'000)	841,842	301,252	293,050	129,936
Weighted Average Number of Ordinary Shares ('000)	39,998	39,998	39,998	39,998
Basic Earnings Per Share (Rs.)	21.05	7.53	7.33	3.25

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 31st March	2021 Rs.000's	2020 Rs.000's
Final ordinary dividend recommended Rs. 5.00 per share* (2019/2020 - Rs. 2.50 per share)	199,990	99,995

*The Directors have recommended a Final Dividend payment of Rs. 5.00 per share for the year ended 31st March 2021 to be approved at the Annual General Meeting on 30th September 2021.

In compliance with Sri Lanka Accounting Standard LKAS 10 - Events after the reporting period, the final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2021.

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

	As at 01/04/2020 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2021 Rs.000's	As at 31/03/2020 Rs.000's
Cost /Deemed Cost					
Leasehold Buildings	846,868	13,850	-	860,718	846,868
Plant And Machinery	2,119,803	283,202	-	2,403,005	2,119,803
Laboratory Equipment	10,611	1,119	-	11,730	10,611
Factory Equipment	256,520	17,381	(238)	273,663	256,520
Canteen Equipment	8,488	85	-	8,573	8,488
Office Equipment	10,732	155	-	10,887	10,732
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture And Fittings	11,710	522	-	12,232	11,710
Fixtures	20	-	-	20	20
Computers	31,125	3,124	-	34,249	31,125
Motor Vehicles	266,022	2,404	(134)	268,292	266,022
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads And Others	63,039	3,989	-	67,028	63,039
	3,632,511	325,831	(372)	3,957,970	3,632,511
Capital Work in Progress	940,857	1,099,057	(203,018)	1,836,896	940,857
	4,573,368	-	-	5,794,866	4,573,368

12.1 Group (Continued)

	As at 01/04/2020 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2021 Rs.000's	As at 31/03/2020 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	442,747	21,311	-	464,058	442,747
Plant And Machinery	1,528,362	148,873	-	1,677,235	1,528,362
Laboratory Equipment	7,435	242	-	7,677	7,435
Factory Equipment	221,374	9,304	(48)	230,630	221,374
Canteen Equipment	3,266	624	-	3,890	3,266
Office Equipment	10,029	240	-	10,269	10,029
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture And Fittings	10,946	386	-	11,332	10,946
Fixtures	10	-	-	10	10
Computers	16,671	3,946	-	20,617	16,671
Motor Vehicles	235,956	12,248	(134)	248,070	235,956
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads And Others	62,002	1,038	-	63,040	62,002
	2,546,371	198,212	(182)	2,744,401	2,546,371
Written Down Value	2,026,997	-	-	3,050,465	2,026,997

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

As at 31 March	2021 Rs.000's	2020 Rs.000's
Written Down Value		
Leasehold Buildings	396,660	404,121
Plant And Machinery	725,770	591,441
Laboratory Equipment	4,053	3,176
Factory Equipment	43,033	35,146
Canteen Equipment	4,683	5,222
Office Equipment	618	703
Fire Fighting Equipment	-	-
Furniture And Fittings	900	764
Fixtures	10	10
Computers	13,632	14,454
Motor Vehicles	20,222	30,066
Milk Collection Equipment	-	-
Motor Roads And Others	3,988	1,037
	1,213,569	1,086,140
Capital Work in Progress	1,836,896	940,857
	3,050,465	2,026,997

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

As at 31 March	2021 Rs.000's	2020 Rs.000's
Lanka Milk Foods (CWE) PLC	286,281	280,482
Lanka Dairies (Private) Limited	199,655	167,379
Ambewela Livestock Company Limited	104,761	103,905
Pattipola Livestock Company Limited	71,741	67,440
Ambewela Products (Private) Limited	725,446	720,164
	1,387,884	1,339,370

(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 64.1 Mn. Relating to constructing Property, Plant and Equipments.

(e) Capital work-in progress includes,

	Rs.000's
Building Construction	1,087,885
Milking Parlour Machines	648,224
Yoghurt Machine	45,935
Agricultural and Electrical Equipment	54,852
	1,836,896

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

(f) The details of buildings on leasehold lands as at 31 March 2021 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	303,448	130,968
Ambewela	458.47		131	426,302	160,610	265,692
				860,718	464,058	396,660

12.2 Company

	As at 01/04/2020 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2021 Rs.000's	As at 31/03/2020 Rs.000's
Cost /Deemed Cost					
Leasehold Buildings	358,951	-	-	358,951	358,951
Plant And Machinery	177,305	21,636	-	198,941	177,305
Laboratory Equipment	2,843	20	-	2,863	2,843
Factory Equipment	9,494	68	-	9,562	9,494
Canteen Equipment	8,488	85	-	8,573	8,488
Office Equipment	8,562	44	-	8,606	8,562
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture And Fittings	4,085	15	-	4,100	4,085
Computers	23,115	2,857	-	25,972	23,115
Motor Vehicles	116,855	-	-	116,855	116,855
	713,921	24,725	-	738,646	713,921

	As at 01/04/2020 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2021 Rs.000's	As at 31/03/2020 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	256,366	8,548	-	264,914	256,366
Plant And Machinery	168,662	3,730	-	172,392	168,662
Laboratory Equipment	2,840	6	-	2,846	2,840
Factory Equipment	8,104	674	-	8,778	8,104
Canteen Equipment	3,268	623	-	3,891	3,268
Office Equipment	8,130	120	-	8,250	8,130
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture And Fittings	3,917	57	-	3,974	3,917
Computers	11,829	3,021	-	14,850	11,829
Motor Vehicles	109,618	1,627	-	111,245	109,618
	576,957	18,406	-	595,363	576,957
Written Down Value	136,964			143,283	136,964

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.2 Company (Continued)

As at 31 March	2021 Rs.000's	2020 Rs.000's
Written Down Value		
Leasehold Buildings	94,037	102,585
Plant And Machinery	26,549	8,643
Laboratory Equipment	17	3
Factory Equipment	784	1,390
Canteen Equipment	4,682	5,220
Office Equipment	356	432
Fire Fighting Equipment	-	-
Furniture And Fittings	126	168
Computers	11,122	11,286
Motor Vehicles	5,610	7,237
	143,283	136,964

- (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 2020/2021 and 2019/2020.
- (c) Property plant and equipment as at 31st March 2021 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 286.3 million that are still in use (2019/2020 - Rs. 280.5 million).

13 INVESTMENT IN SUBSIDIARIES

Company

As at 31 March	2021			2020	
	Holding Percentage	No. of Shares	Cost Rs.000's	No. of Shares	Cost Rs.000's
Lanka Dairies (Private) Limited	100%	500,000	5,000	500,000	5,000
Ambewela Livestock Company Limited	100%	3,000,000	51,137	3,000,000	51,137
Pattipola Livestock Company Limited	100%	1,000,000	46,815	1,000,000	46,815
Ambewela Products (Private) Limited	100%	1,000,000	1,010,000	1,000,000	1,010,000
United Dairies Lanka (Private) Limited	100%	5,000,000	50,000	5,000,000	50,000
Indo Lanka Exports (Private) Limited	51%	306,000	30,600	306,000	30,600
			1,193,552		1,193,552
Less : Provision for Impairment of Investments			(128,552)		(128,552)
			1,065,000		1,065,000

13.1 Provision for Impairment of Investments

As at 31 March	2021 Rs.000's	2020 Rs.000's
Balance as at 1st April	128,552	117,530
Charge for the Year	-	11,022
Balance As at 31 March	128,552	128,552

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**13.1 Provision for Impairment of Investments (Continued)**

13.1.1 The Company has made provision for impairment of Rs.128,552,000/- (2020-Rs.128,552,000) on the investment in subsidiaries as at 31 March 2021 due to the adverse business environment in which the subsidiary companies are operated. This has resulted in continues 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	2021 Rs.000's	2020 Rs.000's
Ambewela Livestock Company Limited	(51,137)	(51,137)
Pattipola Livestock Company Limited	(46,815)	(46,815)
Indo Lanka Exports (Private) Limited	(30,600)	(30,600)
	(128,552)	(128,552)

14 INVESTMENT IN SHARES

As at 31 March	2021 Rs.000's	2020 Rs.000's
Equity Securities - at FVOCI (Note 14.1)	7,576,553	7,437,642
Equity Securities - Mandatorily at FVTPL (Note 14.2)	197,002	209,061

As at 31 March	2021		2020	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
14.1 Equity securities - at FVOCI				
Group/Company				
Distilleries Company of Sri Lanka PLC	44,991,407	895,329	44,991,407	832,341
Melstacorp PLC	151,846,000	6,681,224	151,846,000	6,605,301
		7,576,553		7,437,642

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

14.1.1 Net change in fair value gain in equity securities - at FVOCI during the year was Rs. 138,911,320.(2020 - gain Rs. 1,318,811,351)

14.1.2 The value of shares pledged by the Group/ Company as securities for facilities obtained from banks amounted to Rs.6,681 million (2019/2020 - Rs.6,605 million).

As at 31 March	2021		2020	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
14.2 Equity securities - at FVTPL				
Group / Company				
Browns Beach Hotels PLC	1,251,558	12,766	1,251,558	16,270
Colombo Dockyard PLC	219,948	15,726	219,948	13,637
Commercial Bank of Sri Lanka PLC - Voting	1,970,878	168,510	1,885,830	179,154
		197,002		209,061

14.2.1 Due to the COVID-19 outbreak and the closure of The Colombo Stock Exchange, the fair value disclosed as at 31 March 2020 is based on the closing traded prices that existed as at 31 December 2019 as recommended in the Guidance Notes on Accounting Considerations on the COVID-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS

15 BIOLOGICAL ASSETS

	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
As at 31 March				
15.1 Livestock				
Balance as at the beginning	845,912	687,013	-	-
Additions during the year	-	-	-	-
Increase in Fair Value during the year	345,073	285,796	-	-
Disposals during the year	(69,875)	(126,897)	-	-
Balance as at the end	1,121,110	845,912	-	-
15.2 Non Perennial Crops - At Cost				
Balance as at the beginning	21,322	17,159	-	-
Additions during the year	28,700	21,322	-	-
Disposals during the year	(21,322)	(17,159)	-	-
Balance as at the end	28,700	21,322	-	-

The Group has used the following significant criteria in determining the fair value of the biological assets as at 31 March 2021.

Milk Production	21 - 27 litres
Lactations	1 - 4 lactation
Discount Rate	14%
Market Price of Milk	Rs.122 per litre

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

15.3 Measurement of Fair Values

a) Fair Value Hierarchy

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

b) Level 3 Fair Values

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

	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
As at 31 March				
Group				
Gain included in other income				
Change in fair value (realized)	13,374	132	-	-
Change in fair value (unrealized) (Note 15.1)	345,073	285,796	-	-
	358,447	285,928	-	-

15.4 Valuation Techniques Used

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

15 BIOLOGICAL ASSETS (CONTINUED)

15.5 Sensitivity Analysis

Sensitivity Variation on Selling Price

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

As at 31 March	-10%	2021	+ 10%
Group	Rs.000's	Rs.000's	Rs.000's
Livestock	536,570	1,121,110	1,705,650
Total	536,570	1,121,110	1,705,650

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	-10kg	2021	+10kg
Group	Rs.000's	Rs.000's	Rs.000's
Livestock	1,119,262	1,121,110	1,122,958
Total	1,119,262	1,121,110	1,122,958

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	-1%	2021	+ 1%
Group	Rs.000's	Rs.000's	Rs.000's
Livestock	1,145,708	1,121,110	1,097,352
Total	1,145,708	1,121,110	1,097,352

There were no biological assets pledged by the Group as security for facilities obtained from banks (2019/2020 - 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 2020/21 and 2019/20.

16 INVENTORIES

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Raw Materials and Consumables	1,001,149	830,258	297,085	292,353
Finished Goods	221,345	126,934	156,011	46,343
Working in progress	5,532	3,732	-	-
Goods in Transit	29,192	87,381	3,728	36,219
	1,257,218	1,048,305	456,824	374,915
Provision for Obsolete Inventories (Note 16.1)	(50,226)	(43,913)	(17,283)	(16,368)
	1,206,992	1,004,392	439,541	358,547

16.1 Provision for Obsolete Inventories

Balance as at 1st April	43,913	47,361	16,368	745
Charge/(Reversal) for the year	6,313	(3,448)	915	15,623
Balance as at 31 March	50,226	43,913	17,283	16,368

NOTES TO THE FINANCIAL STATEMENTS

17 TRADE RECEIVABLES

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Trade Receivables	720,328	801,958	272,249	392,116
Provision for Impairment Losses (Note 17.1)	(74,219)	(82,382)	(43,641)	(47,034)
	646,109	719,576	228,608	345,082
17.1 Provision for Impairment Loss				
Balance at 1st April	82,382	73,688	47,034	42,679
Charge / (Reversal) for the Year	(8,163)	8,694	(3,393)	4,355
Balance As at 31 March	74,219	82,382	43,641	47,034
18 OTHER RECEIVABLES				
Deposits and Prepayments	35,948	70,565	5,962	2,604
Less: Provision for Impairment	(9)	(9)	-	-
	35,939	70,556	5,962	2,604
Insurance Receivables	318	180	-	-
Other Taxes Recoverable (Note 18.1)	41,971	40,015	39,647	38,045
Sundry Receivables	1,275	6,671	491	543
Staff Loans and Advances	11,050	11,402	7,153	9,006
Provision for other receivables	(3,648)	-	-	-
	86,905	128,824	53,253	50,198
18.1 Other Taxes Recoverable				
Withholding Tax	1,019	1,019	-	-
Nation Building Tax	6,357	6,357	6,357	6,357
Value Added Tax	34,595	32,639	33,290	31,688
	41,971	40,015	39,647	38,045
19 AMOUNT DUE FROM RELATED COMPANIES				
Lanka Dairies (Private) Limited	-	-	9,743	67,544
Stassen Exports (Private) Limited	12,528	69,565	92	14,451
Stassen Foods (Private) Limited	607	-	607	-
Ambewela Products (Private) Limited	-	-	104,335	97,408
Ambewela Livestock Company Limited	-	-	309,369	316,552
Aitken Spence PLC	2,280	2,617	1,126	1,361
Distilleries company of Sri Lanka PLC	8,315	910	8,315	853
Maudulsima Plantation PLC	-	53	-	53
Balangoda Plantation PLC	1,410	206	1,410	206
Browns Beach Hotel PLC	77	144	74	105
United Dairies Lanka (Private) Ltd	-	-	411,000	162,913
Indo Lanka Exports (Private) Limited	-	-	284	-
Pattipola Livestock Company Limited	-	-	146,794	148,482
	25,217	73,495	993,149	809,928
Provision for Impairment Losses (Note 19.1)	(222)	-	(264,949)	(264,949)
	24,995	73,495	728,200	544,979

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

19 AMOUNT DUE FROM RELATED COMPANIES (CONTINUED)**19.1 Provision for Impairment Losses**

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Ambewela Livestock Company Limited	-	-	200,485	231,074
Pattipola Livestock Company Limited	-	-	32,958	32,958
Lanka Dairies (Private) Limited	-	-	154	154
Ambewela Products (Private) Limited	-	-	763	763
Indo Lanka Exports (Private) Limited	-	-	284	-
United Dairies Lanka (Private) Ltd.	-	-	30,083	-
Other Related parties	222	-	222	-
	222	-	264,949	264,949

20 CASH AND CASH EQUIVALENTS

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Cash at Bank and in Hand	227,330	10,463	218,441	1,293
Fixed Deposit	10,415	10,029	10,415	10,029
	237,745	20,492	228,856	11,322
Expected Credit Loss	(5)	(5)	(5)	(5)
	237,740	20,487	228,851	11,317
Bank Overdraft	(515,671)	(1,102,091)	(36,637)	(355,923)
Cash and Cash Equivalents	(277,931)	(1,081,604)	192,214	(344,606)

20.1 Security details over bank overdraft facilities

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

NOTES TO THE FINANCIAL STATEMENTS

21 STATED CAPITAL

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
39,998,000 Ordinary Shares	999,950	999,950	999,950	999,950

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

22 RESERVES

22.1 Capital reserve on revaluation of property

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

22.2 Revenue Reserves

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Dairy Development Project Reserve	110,000	110,000	110,000	110,000
Retained Earnings	3,045,104	2,330,871	1,814,237	1,634,632
	3,155,104	2,440,871	1,924,237	1,744,632

Dairy Development Project Reserve

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

Retained Earnings

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

23 NET DEFERRED TAX ASSETS / (LIABILITIES)

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Summary of Net Deferred Tax Assets / (Liabilities)				
Balance as at 01 April	(211,641)	(115,564)	23,542	75,266
Recognised in the Profit or Loss				
Amounts Credit / (Charged) during the Year	12,182	(97,017)	(7,737)	(52,449)
Impact from changes in Tax Rate	53,753	-	(6,699)	-
Recognised in the Other Comprehensive Income				
Amounts Credit / (Charged) during the Year	5,153	940	2,953	725
Balance as at 31 March	(140,553)	(211,641)	12,059	23,542
Deferred Tax Asset (Note 23.1/ 23.2)	37,785	149,814	26,479	47,500
Deferred Tax Liabilities (Note 23.1/ 23.2)	(178,338)	(361,455)	(14,420)	(23,958)
	(140,553)	(211,641)	12,059	23,542

23.1 The amounts shown in the Statement of Financial Position represents the followings;

Group

As at 31 March	2021			2020		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Lanka Milk Foods (CWE) PLC	26,479	(14,420)	12,059	47,500	(23,958)	23,542
Net Deferred Tax Assets	-	-	12,059	-	-	23,542
Lanka Dairies (Private) Limited	6,207	(60,949)	(54,742)	4,176	(153,189)	(149,013)
Ambewela Products (Private) limited	5,099	(102,969)	(97,870)	5,416	(85,876)	(80,460)
Ambewela Livestock Company Limited	-	-	-	52,306	(52,306)	-
Pattipola Livestock Company Limited	-	-	-	40,416	(46,126)	(5,710)
Net Deferred Tax Liabilities			(152,612)			(235,183)
	37,785	(178,338)	(140,553)	149,814	(361,455)	(211,641)

Company

As at 31 March	2021			2020		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets/ (liabilities)	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Lanka Milk Foods (CWE) PLC	26,479	(14,420)	12,059	47,500	(23,958)	23,542
Net Deferred Tax Assets	26,479	(14,420)	12,059	47,500	(23,958)	23,542

NOTES TO THE FINANCIAL STATEMENTS

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

23.2 Reconciliation of Net Deferred Tax Liabilities -Group

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

As at 31 March	2021		2020	
	Temporary Differences Rs.000's	Tax Effect Rs.000's	Temporary Differences Rs.000's	Tax Effect Rs.000's
Deferred Tax Liabilities On :				
Property, Plant and Equipment	(787,406)	(129,757)	(919,219)	(231,242)
Biological Assets	(242,903)	(48,581)	(845,913)	(130,213)
	(1,030,309)	(178,338)	(1,765,132)	(361,455)
Deferred Tax Assets On :				
Employee Benefit	129,225	22,646	115,478	27,710
Net Lease Liability	6,688	1,337	18,272	3,602
Inventory Provision	25,531	4,288	-	-
Trade Debtor Provision	51,934	9,017	-	-
Other Receivable Provision	3,551	497	-	-
Unused Tax Losses	-	-	740,190	118,502
	216,929	37,785	873,940	149,814
	(813,380)	(140,553)	(891,192)	(211,641)

Reconciliation of Net Deferred Tax Liabilities -Company

Deferred Tax Liabilities On :				
Property, plant and Equipment	(80,113)	(14,420)	(85,563)	(23,958)
	(80,113)	(14,420)	(85,563)	(23,958)
Deferred tax assets On :				
Employee Benefit	86,153	15,508	63,375	17,745
Net Lease Liability	30	5	16	4
Inventory Provision	17,283	3,111	-	-
Trade Debtor Provision	43,641	7,855	-	-
Unused Tax Losses	-	-	106,255	29,751
	147,107	26,479	169,646	47,500
	66,994	12,059	84,083	23,542

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

23.3 Movement of Net Deferred Tax Liabilities - Group

	As at	(Charged) /		As at 31	As at	(Charged) /		As at
	01 April 2020	Credit in		March 2021	01 April 2019	Credit in		31 March 2020
	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's
Property, Plant and Equipment	(231,242)	101,484	-	(129,758)	(248,135)	16,893	-	(231,242)
Biological Assets	(130,213)	81,632	-	(48,581)	(106,630)	(23,583)	-	(130,213)
Employee Benefits	27,710	(10,217)	5,153	22,646	24,474	2,296	940	27,710
Unused Tax Losses	118,502	(118,502)	-	-	214,727	(96,225)	-	118,502
Inventory Provision	-	4,288	-	4,288	-	-	-	-
Trade Debtor Provision	-	9,017	-	9,017	-	-	-	-
Other Receivable Provision	-	497	-	497	-	-	-	-
Net Lease Liability	3,602	(2,264)	-	1,338	-	3,602	-	3,602
	(211,641)	65,935	5,153	(140,553)	(115,564)	(97,017)	940	(211,641)

Movement of Net Deferred Tax Assets - Company

	As at	(Charged) /		As at 31	As at	(Charged) /		As at
	01 April 2020	Credit in		March 2021	01 April 2019	Credit in		31 March 2020
	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's	Rs. 000's	P&L Rs. 000's	OCI Rs. 000's	Rs. 000's
Property, Plant and Equipment	(23,958)	9,538	-	(14,420)	(26,345)	2,387	-	(23,958)
Employee Benefits	17,745	(5,190)	2,953	15,508	16,241	779	725	17,745
Unused Tax Losses	29,751	(29,751)	-	-	85,370	(55,619)	-	29,751
Inventory Provision	-	3,111	-	3,111	-	-	-	-
Trade Debtor Provision	-	7,855	-	7,855	-	-	-	-
Net Lease Liability	4	1	-	5	-	4	-	4
	23,542	(14,436)	2,953	12,059	75,266	(52,449)	725	23,542

NOTES TO THE FINANCIAL STATEMENTS

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

23.4 The Company has not been recognized deferred tax assets of Rs. 139,734,540/- as at 31 March 2021 (31 March 2020 -Rs191,615,200/-), arising on unused tax losses of Rs. 776,303,000/- (31 March 2020 - Rs.684,340,100) , since there is an uncertainty that future taxable profit will be available against which the Company can utilize the benefit there from.

Company	Deductible Temporary Difference Rs.	Unrecognized Deferred Tax Assets Rs.
Lanka Milk Foods (CWE) PLC	776,303,000	139,734,540
	776,303,000	139,734,540

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

Company	Tax Rate (%)	
	2021	2020
Lanka Milk Foods (CWE) PLC	18%	28%
Lanka Dairies (Private) Limited	14%	28%
Ambewela Livestock Company Limited	Exempt	14%
Pattipola Livestock Company Limited	Exempt	14%
Ambewela Products (Private) Limited (Note a.)	20%	20%

a. Ambewela Products (Private) Limited will be liable at tax at the rate of 20% after the tax holiday period (Y/A 2021/22) 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.

24 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Balance as at the Beginning of the Year	115,477	101,589	63,375	58,007
Interest Cost	8,804	7,203	6,337	6,381
Current Service Cost	17,328	13,858	7,354	4,978
Actuarial (Gain) / Loss	32,767	4,471	16,403	2,589
Payments during the Year	(12,404)	(11,644)	(7,316)	(8,580)
Balance as at the end of the Year	161,972	115,477	86,153	63,375

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

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Interest Cost	8,804	7,203	6,337	6,381
Current Service Cost	17,328	13,858	7,354	4,978
Expense recognized in Comprehensive Income	26,132	21,061	13,691	11,359
Actuarial (Gain) / Loss	32,767	4,471	16,403	2,589
Expense recognized in Other Comprehensive Income	32,767	4,471	16,403	2,589

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 2021.

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	2021	2020
i.) Discount Rate	7.1% - 8.7%	10%
ii.) Annual Salary increment Rate	5% - 12%	10%
iii.) Retirement Age	55 years	55 years

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	(8,079)	9,075	(3,423)	3,752
Effect on the salary escalation rate	8,757	(7,960)	3,663	(3,412)

NOTES TO THE FINANCIAL STATEMENTS

25 LOANS AND BORROWINGS

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Term Loans - Secured				
Balance as at the Beginning of the Year	354,831	250,547	-	-
Loans obtained during the year	1,575,408	171,096	500,000	-
	1,930,239	421,643	500,000	-
Repayments during the year	(383,735)	(66,812)	(200,000)	-
Balance as at the end of the Year	1,546,504	354,831	300,000	-
Amount payable within one year	338,953	66,812	300,000	-
Amount Payable after one year	1,207,551	288,019	-	-
	1,546,504	354,831	300,000	-

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

Financial Institution	Purpose	Assets Pledged	Interest Rate
Hatton National Bank PLC	Company Operation	Investment in quoted shares of Melstacorp PLC	AWPLR - 0.5
Commercial Bank of Ceylon PLC	To part finance the new farm project at Ambewela.	Corporate Guarantee provided by Lanka Milk Foods (CWE) PLC	AWPLR + 1.0

26 TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Trade and Other Payables	309,134	301,240	86,279	37,815
Accrued Expenses	31,783	22,528	1,311	2,914
Outstanding Letters of Credit	3,761	30,405	3,761	30,405
Unclaimed Dividend	2,929	2,370	2,929	2,370
Other Taxes Payable (Note 26.1)	1,601	-	1,236	-
	349,208	356,543	95,516	73,504

26.1 Other Taxes Payable

Value Added Tax	516	-	516	-
APIT	1,027	-	662	-
Stamp Duty	58	-	58	-
	1,601	-	1,236	-

27 AMOUNTS DUE TO RELATED PARTIES

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Stassen Exports (Private) Limited	139,914	1,523	138,887	127
Aitken Spence PLC	276	479	249	-
Aitken Spence Cargo (Private) Limited	80	-	-	-
Ambewela Products (Private) Limited	-	-	-	2,447
Distilleries Company of Sri Lanka PLC	6,112	6,958	-	-
Maudulsima Plantation PLC	409	1,007	409	1,007
Lanka Bell Limited	28	88	19	60
Pattipola Livestock Company Limited	-	-	2	-
Splendor Media (Private) Limited	17,271	-	-	-
	164,090	10,055	139,566	3,641

28 COMMITMENTS

28.1 Capital Commitments

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

As at 31 March	Group	
	2021 Rs. Mn	2020 Rs. Mn
Capital commitments approved and contracted	1,091	2,930

NOTES TO THE FINANCIAL STATEMENTS

29 LEASE

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

The value of the Right-of-use assets is presented as a separate line item in the Statement of Financial Position and the correspondent lease liability has presented under 'Current liabilities and Non current liabilities' in the Statement of Financial Position as at 31 March 2021.

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 2021.

The relevant disclosures to be made under "Notes to the Financial Statements" in the Annual Financial Statements for the year ended 31 March 2021 are illustrated below.

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

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Balance as at beginning	316,833	-	363	-
Recognition on transition date	-	370,638	-	391
Derecognition of Right of Use Asset to Net Investment	-	(42,386)	-	-
Recognition of Right of Use asset due to termination of net investment	44,264	-	-	-
Amortisation charge for the year	(12,242)	(11,419)	(28)	(28)
Remeasurement	(65,467)	-	-	-
Balance as at end	283,388	316,833	335	363

29.2 Net Investment

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Balance as at beginning	45,863	-	-	-
Recognition on transition date	-	42,386	-	-
Unwind Interest	-	5,876	-	-
Disposal	(45,863)	-	-	-
Cash Received	-	(2,399)	-	-
Balance as at end	-	45,863	-	-

29 LEASES (CONTINUED)

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

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Balance as at beginning	367,130	-	379	-
Recognition on transition date	-	353,952	-	391
Remeasurement adjustment	(65,467)	-	-	-
Additions during the Year	-	-	-	-
Accretion of Interest	45,369	48,055	53	55
Payments	(35,642)	(34,877)	(67)	(67)
Balance as at end	311,390	367,130	365	379
Current	34,376	34,025	59	59
Non- current	277,014	333,105	306	320
Balance as at 31 March	311,390	367,130	365	379

29.4 Maturity analysis - contractual undiscounted cash flows

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Less than one year	36,425	36,373	67	67
One to five years	194,480	206,669	335	335
More than five years	1,332,500	2,072,290	402	469
Total undiscounted liabilities as at 31 March	1,563,405	2,315,332	804	871

29.5 Amounts Recognised in Statement of Profit or Loss

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Leases under SLFRS 16				
Depreciation of Right-of-Use assets	12,242	11,419	28	28
Interest Expense on Lease Liabilities	45,369	48,055	53	55
Income from sub - leasing right of use assets presented in 'other income'	-	5,876	-	-
	57,611	65,350	81	83

29.6 Amounts Recognised in Statement of Cash Flows

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Total Cash Outflow for Leases	(35,642)	(34,877)	(67)	(67)
	(35,642)	(34,877)	(67)	(67)

NOTES TO THE FINANCIAL STATEMENTS

30. PRINCIPAL SUBSIDIARIES

Company	Principal Activities	Domicile	Class of shares held	Group Interest	Non-controlling Interest
Lanka Dairies (Private) Limited	Packing and selling of UHT products, "Daily", Ambewela Farm Fresh Milk" and fruit juice.	Sri Lanka	Ordinary	100%	-
Ambewela Livestock Company Limited	Rearing of cattle to produce and sale of cow milk and agricultural development of the farm.	Sri Lanka	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.	Sri Lanka	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.	Sri Lanka	Ordinary	100%	-
Indo Lanka Exports (Private) Limited	Manufacturing and exporting fruit juices.	Sri Lanka	Ordinary	51%	49%
United Dairies Lanka (Private) Limited	Dairy Farming	Sri Lanka	Ordinary	100%	-

31. CONTINGENT LIABILITIES

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

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

Name of the company	Name of the Bank	Amount of the guarantee Rs. Mn
Lanka Dairies (Private) Limited	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
Indo Lanka Exports (Private) Limited	Hatton National Bank	31.6
United Dairies Lanka (Private) Limited	Hatton National Bank	900
United Dairies Lanka (Private) Limited	Commercial Bank	3,000

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

32. 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 Final Dividend of Rs. 5.00 per share amounting to Rs.199,990,000 for the year ended 31 March 2021. This is to be approved by the Annual General Meeting to be held on 30 September 2021.

33. SEGMENTAL REPORTING

Reportable segment	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.											
Powdered Milk	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.											
	Trading											
As at 31 March	Powdered Milk		Trading		Liquid Milk and Others		Agriculture		Elimination		Group	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Total Revenue	2,375,711	3,030,915	725,739	-	5,335,679	4,497,655	823,427	623,975	(1,663,364)	(1,448,691)	7,597,192	6,703,854
Profit or loss from operation	206,512	194,521	63,086	-	682,618	334,080	13,993	(109,520)	(89,444)	94,728	876,765	510,809
Financing Income/(Cost)	29,022	(9,136)	8,866	-	(29,523)	(62,856)	(51,184)	(38,099)	-	(350)	(42,819)	(110,441)
Income tax Expenses	(11,058)	(52,449)	(3,378)	-	16,544	(64,015)	5,710	6,759	-	-	7,818	(109,705)
Profit/(loss) for the Year	224,476	129,936	68,574	-	669,639	207,209	(31,481)	(140,860)	(89,444)	94,378	841,764	290,663
Segment Asset	8,190,843	10,213,076	2,502,164	-	3,202,783	3,144,520	3,357,664	2,085,146	(2,752,304)	(2,488,499)	14,501,150	12,954,243
Segment Liabilities	504,210	496,822	154,027	-	842,475	1,346,622	3,632,436	2,370,701	(1,897,997)	(1,672,835)	3,235,151	2,541,310
Segment Net Assets	7,686,634	9,716,254	2,348,136	-	2,360,308	1,797,894	(274,770)	(285,552)	(854,309)	(815,663)	11,265,999	10,412,933
Segment Capital Expenditure	18,939	17,491	5,786	-	267,367	298,970	1,132,796	656,367	-	-	1,424,888	972,828
Depreciation on Property, plant and equipment	14,099	16,753	4,307	-	168,181	205,039	11,625	11,672	-	-	198,212	233,464

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES

The Group / Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 - "Related Party Disclosures".

Details of related party transactions are reported below:

34.1 Transactions with Subsidiary Companies

For the Year Ended 31 March			Amount	
			2021	2020
Name of the Company	Name of Common Directors	Nature of Transaction	Rs.	Rs.
Lanka Dairies (Private) Limited	Mr. D. H. S. Jayawardena	Sale of Goods	207,323,054	428,516,929
	Mr. C. R.J ansz	Settlement of Goods Sales	231,522,000	385,428,635
	Ms. D. S. C. Jayawardena	Expense Reimbursement	304,450	-
	Mr. D. Hasitha S. Jayawardena	Received of Opening Balance Settlement	36,815,476	83,000,000
	Ms. D. S. T. Jayawardena	Settlement of Short Term Loan	325,000,000	20,000,000
		Received Loan Interest Settlement	-	468,483
		Garnted Short Term Loan	325,000,000	-
		Other Purchase	732,362	566,960
		Settlement of Other Purchase	732,861	-
		Dividend Income Received	100,000,000	-
		Charged Short Term Loan Interest	2,908,082	468,483
	Bank Guarantees Provided	425,000,000	885,000,000	
Ambewela Livestock Company Limited	Mr. D. H. S. Jayawardena	Expense Reimbursement	140,887	136,559
	Mr. C. R. Jansz	Sale of Goods & Other	1,859,178	1,059,195
	Ms. D. S.C. Jayawardena	Settlement of Goods Sales	1,659,365	1,168,208
	Mr. D. Hasitha S. Jayawardena	Settlement of Opening Balance	7,522,942	-
	Ms. D. S. T. Jayawardena	Bank Guarantees Provided	60,000,000	60,000,000
Pattipola Livestock Company Limited	Mr. D. H. S. Jayawardena	Expense Reimbursement	115,754	107,033
	Mr. C. R. Jansz	Sale of Goods & Other	705,356	1,339,340
	Ms. D. S. C. Jayawardena	Settlement of Goods Sales	754,398	1,260,203
	Mr. D. Hasitha S. Jayawardena	Purchases of Goods	246,204	42,876
	Ms. D. S. T. Jayawardena	Settlement of Goods Purchases	246,804	42,876
		Received of Opening Balance Settlement	1,754,713	228,605
	Bank Guarantees Provided	110,000,000	110,000,000	

34. RELATED PARTY DISCLOSURES (CONTINUED)

For the Year Ended 31 March			Amount	
			2021	2020
Name of the Company	Name of Common Directors	Nature of Transaction	Rs.	Rs.
Ambewela Products (Private) Limited	Mr. D. H. S. Jayawardena	Sale of Goods & Other	97,304,018	87,285,395
	Mr. C. R. Jansz	Expense Reimbursement	604,207	422,024
	Ms. D. S. C. Jayawardena	Settlement of Goods & Other Sales	141,510,843	51,508,372
	Mr. D. Hasitha S. Jayawardena	Granted Short Term Loan	150,000,000	50,000,000
	Ms. D. S. T. Jayawardena	Charged Short Term Loan Interest	6,154,167	1,110,438
		Received Loan Interest Settlement	5,624,331	711,342
		Settlement of Short Term Loan	100,000,000	-
		Bank Guarantees Provided	250,000,000	250,000,000
Indo Lanka Exports (Private) Limited	Mr. D. H. S. Jayawardena	Expense Reimbursement	284,347	719,390
	Mr. C. R. Jansz	Bank Guarantees Provided	31,600,000	31,600,000
	Ms. D. S. C. Jayawardena			
United Dairies Lanka (Private) Limited	Mr. D. H. S. Jayawardena	Paid Investment on Share Capital	-	50,000,000
	Mr. C. R. Jansz	Expenses Reimbursement	-	605,646
	Ms. D. S. C. Jayawardena	Fund Transfers	248,086,504	127,000,000
	Mr. D. S. K. Amarasekara	Bank Guarantees Provided	3,900,000,000	3,900,000,000
	Dr. A. Shakthevale			
	Mr. D. Hasitha S. Jayawardena			
	Ms. D. S. T. Jayawardena			
Aggregate Value of Non Recurrent Related Party Transactions	Lanka Dairies (Private) Limited		750,000,000	885,000,000
	United Dairies Lanka (Private) Limited		4,148,086,504	4,027,000,000
Aggregate Value of Non Recurrent Transactions as a% of Equity	Lanka Dairies (Private) Limited		7%	9%
	United Dairies Lanka (Private) Limited		41%	41%
Aggregate Value of Non Recurrent Transactions as a% of Total Assets	Lanka Dairies (Private) Limited		7%	9%
	United Dairies Lanka (Private) Limited		39%	39%

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES (CONTINUED)

34.2 Details of related party transactions are reported below:

For the Year Ended 31 March			Amount	
			2021 Rs.	2020 Rs.
Name of the Company	Name of Common Directors	Nature of Transaction		
Milford Exports (Ceylon) (Private) Limited	Mr.D. H. S. Jayawardena	Management Fee	1,000,000	1,000,000
	Ms. D. S. C. Jayawardena**	Directors' Fee	1,500,000	1,500,000
	Mr. D. Hasitha S. Jayawardena	Related Party Settlement	2,500,000	2,500,000
	Mr. C. R. Jansz	Dividend Paid	33,566,350	16,783,175
	Ms. D. S. T. Jayawardena			
Stassen Exports (Private) Limited	Mr. D. H. S. Jayawardena	Reimbursement Expenses	11,805,528	6,540,656
	Ms. D. S. C. Jayawardena**	Services Obtained & Others	8,405,074	4,142,873
	Mr. D. Hasitha S. Jayawardena	Sale of Goods	8,696,103	19,860,036
	Mr. C. R. Jansz	Purchase Happy Cow & Energy Drinks	779,614,197	-
	Ms. D. S. T. Jayawardena	Services Rendered and Others	28,315,604	60,360,729
		Related Party Settlement	62,568,661	79,420,507
		Settlement of Purchases & Other	649,258,859	4,036,737
Distilleries Company of Sri Lanka PLC	Mr. D. H. S. Jayawardena	Sale of Milk Foods & Energy Drinks	22,312,720	16,263,558
	Mr. C. R. Jansz	Dividend Income Received	43,641,665	56,213,762
	Mr. D. Hasitha S. Jayawardena	Services Obtained & Others	721,018	1,058,348
		Related Party Settlement	14,850,795	19,222,085
		Settlement of Services Obtained	721,018	1,268,763
Aitken Spence PLC	Mr. D. H. S. Jayawardena	Sale of Goods	4,851,174	12,390,909
	Ms. D. S. T. Jayawardena	Settlement of Goods Sales	5,086,550	12,577,224
		Services Obtained & Others	19,453,871	9,575,184
		Related Party Settlement	19,204,615	9,575,184
Madulsima Plantation PLC	Mr. D. H. S. Jayawardena	Sale of Goods	-	797,748
	Mr. D. S. K. Amarasekara	Services Obtained & Others	1,356,423	428,113
	Dr. A. Shakthevale	Related Party Settlement	1,954,436	1,685,356
	Mr. D. Hasitha S. Jayawardena	Received opening balance settlement	53,298	-
Lanka Bell Limited	Mr. D. H. S. Jayawardena	Telephone Charges	1,023,948	859,654
	Mr. C. R. Jansz	Related Party Settlement	1,064,433	805,151

** Directress resigned from 27.01.2021.

34. RELATED PARTY DISCLOSURES (CONTINUED)

For the Year Ended 31 March			Amount	
Name of the Company	Name of Common Directors	Nature of Transaction	2021 Rs.	2020 Rs.
Melstacorp PLC	Mr. D. H. S. Jayawardena	Dividend Paid	16,789,460	8,394,730
	Mr. C. R. Jansz	Dividend Income Received	379,615,000	303,692,000
	Mr. D. Hasitha S. Jayawardena		-	
Browns Beach Hotels PLC	Mr. D. H. S. Jayawardena	Sale of Milk Foods & Energy Drinks	399,000	1,418,400
	Ms. D. S. T. Jayawardena	Settlement of Goods Sales	430,500	1,459,199
Balangoda Plantation PLC	Mr. D. H. S. Jayawardena	Services Provided & Other	2,691,266	1,554,511
	Mr. C. R. Jansz	Settlement of Service Rended	1,487,299	1,674,869
	Mr. D. S. K. Amarasekara			
	Dr. A. Shakthevale			
Splendor Media (Private) Ltd	Ms. D. S. T. Jayawardena	Services Obtained & Others	5,551,956	12,684,850
		Related Party Settlement	5,551,956	12,873,190
		Sale of Goods	26,649	79,665
		Settlement of Goods Sales	26,649	91,791
Aggregate Value of Recurrent Related Party Transactions During the Year;		Stassen Exports (Private) Limited	836,836,505	84,363,637
Aggregate Value of Recurrent Related Party Transactions as a % of Revenue;		Stassen Exports (Private) Limited	11%	1%

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTY DISCLOSURES (CONTINUED)

34.3 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.

34.4 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 34 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 34.2 to the Financial Statements.

34.5 Non-recurrent Related Party Transactions

There were instances where non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2021 audited financial statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act. Accordingly, the required disclosure is given in Note 34 to the Financial Statements. There were no other non recurrent related party transactions which exceeded the threshold stipulated in section 9 of the listing requirements, other than individual transaction disclosed in the note 34.1 to the Financial Statements.

34.6 Transactions with Key Management Personnel

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

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	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Short-term employee benefits	1,500	1,500	1,500	1,500
Post employment benefits	-	-	-	-
	1,500	1,500	1,500	1,500

c) Other Transactions with Key Management Personnel

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

35. GROUP IMPACT OF COVID 19

The impact of COVID - 19 pandemic on the business operations of the Group and Group response

The Lanka Milk Foods (CWE) PLC and its subsidiaries operate in the food and beverages sector and were able to continue our operations amidst COVID-19 waves during the year.

The Group's operations were carried out strictly under the guidelines issued by the respective Government with priority given for the safety of our staff and customers.

All our business segments, which include powdered milk, liquid milk and agriculture and livestock, continued operations. Although product distribution was disrupted, particularly in high-risk locations, we made home deliveries and conducted door-to-door operations, ensuring that our customers' needs were satisfied as much as possible.

Despite delays in cash collection owing to the lockdown, adequate cash flows were maintained, and timely payments to our important suppliers, particularly our agricultural suppliers, were made to support their financial situation. Post-lockdown the debt collection improved. There were no significant changes in terms of borrowings other than anticipated and the relief measures adopted by the Central Bank of Sri Lanka supported us and our business partners.

We took extra efforts to minimise the spread of COVID-19 in all venues, from farms to point of sale, as directed by the government. While the New Zealand farm site was restricted to visitors, farm operations remained as usual. Additional improved hygiene and safety standards were implemented as extra measures with the aim of providing a safe work environment.

The Group will continue to observe the developments and take timely action to mitigate unfavourable outcomes and reduce risks to the financial stability of the Group.

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further, quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

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

36.1 Credit risk

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

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Trade Receivables	720,328	796,011	272,249	388,835
Other Receivables (Note a.)	12,643	18,253	7,644	9,549
Amounts Due from Related Parties	25,217	73,495	993,149	809,928
Cash and cash equivalents (Note b.)	233,810	16,537	227,375	10,063
	991,998	904,296	1,500,417	1,218,375

Note a.

The other assets exclude advances, other taxes recoverable 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.

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 2021.

As at 31 March 2021 Group	Weighted Average Loss Rate	Gross Carrying Amount Rs.000's	Impairment Loss Allowance Rs.000's	Credit Impaired
Past due 0-60 days	0.01%	589,302	(48)	No
Past due 60-180 days	1.06%	54,645	(577)	No
Past due 180-365 days	24.14%	3,674	(887)	No
More than one year	100.00%	72,707	(72,707)	Yes
		720,328	(74,219)	

As at 31 March 2021 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%	217,601	(6)	No
Past due 60-180 days	2.69%	10,906	(293)	No
Past due 180-365 days	23.22%	521	(121)	No
More than one year	100.00%	43,221	(43,221)	Yes
		272,249	(43,641)	

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 Group	2021 Rs.000's	2020 Rs.000's
Balance at 1st April	82,382	73,688
Provision for the year	(8,163)	8,694
Balance at 31st March	74,219	82,382

As at 31 March Company	2021 Rs.000's	2020 Rs.000's
Balance at 1st April	47,034	42,679
Provision for the year	(3,393)	4,355
Balance at 31st March	43,641	47,034

NOTES TO THE FINANCIAL STATEMENTS

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 at Bank and Fixed Deposit

The Group has a number of bank deposits in Sri Lankan rupees as at 31 March 2021. 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	2021			
	Group		Company	
	Rs.'000	Rating %	Rs.'000	Rating %
Fitch ratings	Rs.000's	of total	Rs.000's	of total
AA-	223,256	95.49%	216,960	95.42%
A+	139	0.06%	-	-
BBB+	10,415	4.45%	10,415	4.58%
	233,810	100%	227,375	100%

36.1.5 Guarantees

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

Name of the Company	Name of the Bank	Amount of the Guarantee Rs.Mn
Lanka Dairies (Private) Limited	Hatton National Bank	425
Ambewela Products (Private) Limited	Hatton National Bank	250
Ambewela Livestock Company Limited	Hatton National Bank	60
Pattipola Livestock Company Limited	Hatton National Bank	110
Indo Lanka Exports (Private) Limited	Hatton National Bank	31.6
United Dairies Lanka (Private) Limited	Hatton National Bank	900
United Dairies Lanka (Private) Limited	Commercial Bank	3,000

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

	2021					
	Carrying amount Rs.000's	Total Rs.000's	0-2 months Rs.000's	2-6 months Rs.000's	6-12 months Rs.000's	More than 1 year Rs.000's
Financial Liabilities (Non Derivatives)						
Trade and Other Payables	315,824	315,824	294,112	18,783	-	2,929
Amounts Due to Related Parties	164,090	164,090	164,090	-	-	-
Interest bearing loans and borrowings	1,546,504	2,774,152	301,447	-	41,594	2,431,111
Lease Liabilities	311,390	1,563,405	-	36,358	67	1,526,980
Bank Overdraft	515,671	515,671	426,187	89,484	-	-
	2,853,479	5,333,142	1,185,836	144,625	41,661	3,961,020

Company

As at 31 March

	2021					
	Carrying amount Rs.000's	Total Rs.000's	0-2 months Rs.000's	2-6 months Rs.000's	6-12 months Rs.000's	More than 1 year Rs.000's
Financial Liabilities (Non Derivatives)						
Trade and Other Payables	92,969	92,969	89,605	435	-	2,929
Amounts Due to Related parties	139,566	139,566	139,566	-	-	-
Interest bearing loans and borrowings	300,000	301,447	301,447	-	-	-
Lease Liabilities	365	804	-	-	67	737
Bank Overdraft	36,637	36,637	36,637	-	-	-
	569,537	571,423	567,255	435	67	3,666

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

NOTES TO THE FINANCIAL STATEMENTS

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	2021	2020
Trade and Other Payables	USD	1,403	157,500
Trade and Other Payables	EUR	15,777	-
Gross statement of financial position exposure		17,180	157,500

Company

As at 31 March	Currency	2021	2020
Trade and Other Payables	USD	-	157,500
Trade and Other Payables	EUR	15,777	-
Gross statement of financial position exposure		15,777	157,500

The following significant exchange rates were applicable during the year;

As at 31 March	Average rate		Reporting date spot rate	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
USD	188.39	179.47	199.04	188.62
EUR	219.87	199.43	233.09	207.96

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 at 31st March 2021 would have increased/ (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

As at 31 March 2021	Strengthening		Weakening	
	Profit or Loss	Equity	Profit or Loss	Equity
	Rs.	Rs.	Rs.	Rs.
31 March 2021				
USD (10% movement)	(27,932)	(27,932)	27,932	27,932
EUR (10% movement)	(367,746)	(367,746)	367,746	367,746
31 March 2020				
USD (10% movement)	(2,970,822)	(2,970,822)	2,970,822	2,970,822
EUR (10% movement)	-	-	-	-

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 HNB and Commercial Bank. However, management monitors the sensitivities on regular basis and ensure risks are managed on a timely manner.

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

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Variable Rate Instruments				
Financial Liabilities				
Interest bearing loans and borrowings	1,546,504	354,831	300,000	-
Bank Overdraft	515,671	1,102,091	36,637	355,923
	2,062,175	1,456,922	336,637	355,923

Sensitivity Analysis

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

As at 31 March	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
+100 basis points	(20,622)	(14,569)	(3,366)	(3,559)
-100 basis points	20,622	14,569	3,366	3,559

NOTES TO THE FINANCIAL STATEMENTS

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 the quoted price of the investment. Simulations made for Equity Securities at FVOCI and Equity Securities at FVTPL that an increase and decrease by 10% has the following effect on the fair value of the investments.

As at 31 March 2021 Group/Company	-10% Rs. Rs.000's	2021 Rs. Rs.000's	+ 10% Rs. Rs.000's
Financial Assets measured at FVOCI	6,818,898	7,576,553	8,334,208
Financial Assets measured at FVTPL	177,302	197,002	216,702
	6,996,200	7,773,555	8,550,910

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 2021	Group		Company	
	2021 Rs.000's	2020 Rs.000's	2021 Rs.000's	2020 Rs.000's
Total liabilities	3,235,151	2,541,310	658,237	496,822
Less:				
Cash and cash equivalents	(237,740)	(20,487)	(228,851)	(11,317)
Net debts	2,997,411	2,520,823	429,386	485,505
Total equity	11,265,999	10,412,933	10,034,770	9,716,254
Net debt to equity ratio	0.27	0.24	0.04	0.05

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.

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 2021

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

As at 31 March 2020

	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Financial Assets measured at FVOCI	7,437,642	-	-	7,437,642
Financial Assets measured at FVTPL	209,061	-	-	209,061
	7,646,703	-	-	7,646,703

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 2021

	Group		Company	
	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000
Assets				
Cash and cash equivalents	237,740	237,740	228,851	228,851
Trade and Other receivables	691,043	691,043	242,214	242,214
Amounts due from Related Companies	24,995	24,995	728,200	728,200
Liabilities				
Bank Overdraft	515,671	515,671	36,637	36,637
Trade and Other Payables	347,607	347,607	94,280	94,280
Amounts Due to Related Parties	164,090	164,090	139,566	139,566
Lease Liabilities	311,390	311,390	365	365
Loans and Borrowings	1,546,504	1,546,504	300,000	300,000

NOTES TO THE FINANCIAL STATEMENTS

37 FAIR VALUE MEASUREMENT (CONTINUED)

37.2 Fair value of Financial Instruments carried at amortized cost (Continued)

Cash and cash equivalents

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

Trade and other Receivables/Amount due from Related Parties

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

Trade and other Payables/Amount due to Related Parties

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

Loans and Borrowings/Bank Overdraft

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

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

Group

As at 31 March 2021

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	691,043	-	-
Amount due from Related Parties	24,995	-	-
Cash and Cash Equivalent	237,740	-	-
Financial Assets measured at FVTOCI	-	-	7,576,553
Financial Assets measured at FVTPL	-	197,002	-

As at 31 March 2021

Financial liabilities

	Classification	
	Fair Value Through Profit or Loss Investments	Amortized Cost
	Rs.000's	Rs.000's
Trade and Other Payables	-	347,607
Interest Bearing Borrowings	-	1,546,504
Amounts Due to Related Parties	-	164,090
Bank Overdraft	-	515,671
Lease Liabilities	-	311,390

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

Company

As at 31 March 2021

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	242,214	-	-
Amount due from Related Parties	728,200	-	-
Cash and Cash Equivalent	228,851	-	-
Financial Assets measured at FVTOCI	-	-	7,576,553
Financial Assets measured at FVTPL	-	197,002	-

As at 31 March 2021

Financial liabilities

	Classification	
	Fair Value Through Profit or Loss Investments	Amortized Cost
	Rs.000's	Rs.000's
Trade and Other Payables	-	94,280
Interest Bearing Borrowings	-	300,000
Amounts Due to Related Parties	-	139,566
Bank Overdraft	-	36,637
Lease Liabilities	-	365

39 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 31/03/2021	Total Shares 31/03/2021	Percentage (%) 31/03/2021	No of Share Holders 31/03/2020	Total Shares 31/03/2020	Percentage (%) 31/03/2020
1-1000	3,593	856,030	2.14	2,580	518,490	1.30
1001-10000	827	2,849,695	7.13	404	1,395,425	3.49
10001-100000	159	4,448,249	11.12	76	2,273,224	5.68
100001-1000000	19	5,581,412	13.95	14	4,312,965	10.78
1,000,001 & Over	3	26,262,614	65.66	5	31,497,896	78.75
Total	4,601	39,998,000	100.00	3,079	39,998,000	100.00

3 ANALYSIS OF ORDINARY SHARES

Category	No of Share Holders 31/03/2021	Total Shares 31/03/2021	Percentage (%) 31/03/2021	No of Share Holders 31/03/2020	Total Shares 31/03/2020	Percentage (%) 31/03/2020
Individuals -Local	4,303	8,908,622	22.27	2,871	4,942,956	12.36
Individuals - Overseas	46	405,055	1.02	43	302,797	0.76
Companies - Local	249	23,851,604	59.63	160	22,461,508	56.15
Companies - Overseas	3	6,832,719	17.08	5	12,290,739	30.73
Total	4,601	39,998,000	100.00	3,079	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	
	2021 No Of Shares	2020 No Of Shares
Name of the Directors and CEO		
Mr. D. H. S. Jayawardena	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Ms. D. S. C. Jayawardena	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

	Rs.	Company	
		2020/21 Rs.	2019/20 Rs.
Earnings	Rs.	7.33	3.25
Dividend	Rs.	5.00	2.50
Net Assets	Rs.	250.88	242.92

6 MARKET VALUE PER SHARE

Highest Price during the year	Rs.	165.50	119.00
Lowest Price during the year	Rs.	70.40	72.60
Value as at last trading date	Rs.	150.25	74.00

7 TWENTY MAJOR SHAREHOLDERS

	NAME	As at 31 March 2021		NAME	As at 31 March 2020	
		No of Shares	% On Total Issued Capital		No of Shares	% On Total Issued Capital
1	Milford Exports (Ceylon) (Pvt) Limited	13,426,540	33.57	Milford Exports (Ceylon) (Pvt) Limited	13,426,540	33.57
2	Melstacorp PLC	6,715,784	16.79	Melstacorp PLC	6,715,784	16.79
3	Mills Enterprises Limited	6,120,290	15.30	Mills Enterprises Limited	6,120,290	15.30
4	E.W. Balasuriya & Co. (Pvt) Ltd	619,212	1.55	BNYN Re-Branch-Barca Global Master Fund Lp	3,738,354	9.35
5	Rukaiya Husseinally Abdulhussein	507,000	1.27	Pershing LLC S/A Averbach Grauson & Co.	1,496,928	3.74
6	Yusuf Husseinally Abdulhussein	483,333	1.21	Bnysanv Re-Steyn Capital Frontier Fund	685,946	1.71
7	Wijekoon Mudiyansele Chanuka Hasith Umayanga	480,000	1.20	E.W. Balasuriya & Co. (Pvt) Ltd	619,212	1.55
8	Pershing LLC S/A Averbach Grauson & Co.	463,208	1.16	Rukaiya Husseinally Abdulhussein	507,000	1.27
9	People's Leasing & Finance PLC / Mr.H.M. Abdulhussein	377,146	0.94	Yusuf Husseinally Abdulhussein	483,333	1.21
10	Vasudevan Saraswathi	328,898	0.82	People's Leasing & Finance PLC/Mr.H.M. Abdulhussein	414,051	1.04
11	Husseinally Mohsinaly Abdulhussein	280,266	0.70	Husseinally Mohsinaly Abdulhussein	280,266	0.70
12	People's Leasing & Finance PLC/ Hi Line Trading (Pvt) Ltd	271,482	0.68	Commercial Bank Of Ceylon PLC A/C No. 04	250,000	0.63
13	Commercial Bank Of Ceylon PLC A/C No. 04	250,000	0.63	Hallsville Trading Group Inc.	249,221	0.62
14	Hallsville Trading Group Inc.	249,221	0.62	Dinesh Nagendra Sellamuttu	183,502	0.46
15	Seylan Bank PLC / Symphony Capital Ltd	232,565	0.58	Mark Anthony Theodor Raaymakers	148,593	0.37
16	Dinesh Nagendra Sellamuttu	183,502	0.46	Manickam Vallipuram Theagarajah	140,933	0.35
17	Essajee Carimjee Insurance Brokers (Pvt) Ltd	157,595	0.39	Gulamhussein Moshinaly Abdulhussein	132,622	0.33
18	Hatton National Bank PLC-Senfin Growth Fund	150,000	0.38	Essajee Carimjee Insurance Brokers (Pvt) Ltd	112,450	0.28
19	Mark Anthony Theodor Raaymakers	148,593	0.37	Ratten Gulamhussein Abdulhussein	105,836	0.26
20	Manickam Vallipuram Theagarajah	140,933	0.35	Commercial Bank Of Ceylon PLC/ H.M.Dawoodbhoy	95,000	0.24
	Sub Total	31,585,568	78.97	Sub Total	35,905,861	89.77
	Other Shareholders	8,412,432	21.03	Other Shareholders	4,092,139	10.23
	Grand Total	39,998,000	100.00	Grand Total	39,998,000	100.00

8 PUBLIC SHAREHOLDINGS

	2021.03.31	2020.03.31
Number of Shares held by Public	13,731,313	13,731,313
Numbers of Public Shareholders	4,597	3,075
Percentage of Shares held by Public	34.33%	34.33%
Float Adjusted market Capitalisation (Rs.000)	2,063,130	1,016,117

Company Complies with Minimum Public Holdings Requirement under option 5 as set out in the listing rules 7.13.1

TEN YEAR SUMMARY

Group - Rs.000	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
OPERATING RESULT										
Revenue	7,597,192	6,703,854	5,385,534	5,416,547	5,250,208	5,048,510	3,952,277	4,571,997	5,436,654	5,054,241
Gross Profit	1,077,218	663,230	487,442	938,579	789,861	733,442	310,735	472,593	913,858	782,169
Profit/(Loss) before Tax	833,946	400,368	(44,712)	631,766	548,704	119,483	(33,302)	26,524	411,480	234,219
Taxation	7,818	(109,705)	(81,915)	(51,235)	(6,748)	1,114	31,571	21,903	(44,091)	(41,492)
Profit/(Loss) after Tax	841,764	290,663	(126,627)	580,531	541,956	120,597	(1,731)	48,427	367,389	192,727
Profit/(Loss) Attributable to Equity Holder	841,842	301,252	(126,312)	580,784	542,179	126,988	2,885	61,059	374,929	187,229
Dividends	199,990	99,995	49,998	99,995	99,995	49,998	49,998	-	59,998	39,998
STATEMENT OF FINANCIAL POSITION										
Property, Plant and Equipment	3,050,465	2,026,997	1,287,633	1,473,279	1,564,886	1,584,723	1,789,252	1,962,797	1,786,025	1,173,231
Short-term Investment	197,002	209,061	209,839	270,283	244,838	247,029	305,929	236,453	227,893	67,203
Current Assets	2,457,575	2,257,454	2,448,635	2,195,399	1,838,876	1,790,653	1,968,720	1,611,624	2,199,028	1,874,883
Total Assets	14,501,150	12,954,243	10,617,378	13,793,479	12,958,922	11,656,394	13,306,902	11,587,053	10,572,349	3,510,259
Total Equity	11,265,999	10,412,933	8,856,988	12,470,426	11,811,602	10,158,993	11,394,013	9,993,200	8,625,489	2,103,619
Non Current Liabilities	1,799,149	971,784	476,154	494,501	514,450	556,378	594,848	622,506	400,198	124,759
Current Liabilities	1,436,002	1,569,526	1,284,236	828,552	632,870	941,023	1,318,041	971,347	1,546,662	1,281,881
RATIOS										
Earnings per Share (Rs.)	21.05	7.53	(3.16)	14.52	13.56	3.17	0.07	1.53	9.37	4.68
Dividend per Share (Rs.)	5.00	2.50	1.25	2.50	2.50	1.25	1.25	-	1.50	1.00
Dividend Cover (Times)	4.21	3.01	(2.53)	5.81	5.42	2.54	0.06	-	6.25	4.68
Dividend Payout Ratio %	23.75	33.20	(39.58)	17.22	18.44	39.43	1,785.71	-	16.01	21.37
Price Earning Ratio (Times)	7.14	9.83	(34.81)	10.89	8.63	36.12	2,000.00	70.16	11.55	20.90
Total Assets to Equity (Times)	1.29	1.24	1.20	1.11	1.10	1.15	1.17	1.16	1.23	1.67
Net Assets per Share (Rs.)	281.66	260.33	221.16	311.49	295.01	253.69	284.41	249.27	214.76	52.59
Market Value per Share (as at 31st March) (Rs.)	150.25	74.00	110.00	158.10	117.00	114.50	140.00	107.10	108.30	97.80
Return on Equity (%)	7.47	2.89	(1.43)	4.66	4.59	1.19	(0.02)	0.48	4.26	9.16
Return on Total Assets (%)	5.80	2.24	(1.19)	4.21	4.18	1.04	(0.02)	0.42	3.47	5.49
Gross Profit Ratio (%)	14.18	9.89	9.05	17.33	15.04	14.53	7.87	10.34	16.81	15.48
Net Profit/(Loss) Ratio (%)	11.08	4.34	(2.35)	10.72	10.32	2.39	(0.05)	1.06	6.76	3.81
Current Ratio (Times)	1.71	1.44	1.91	2.65	2.91	1.90	1.49	1.66	1.42	1.46
Liquidity Ratio (Times)	0.87	0.79	0.80	1.31	1.61	1.02	0.71	0.84	0.77	0.56

Company - Rs.000	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
OPERATING RESULT										
Revenue	3,101,450	3,030,915	1,922,137	1,840,687	2,053,427	2,394,015	1,957,046	2,446,113	3,711,003	3,408,036
Gross Profit	120,289	156,610	26,721	100,936	154,936	222,274	63,033	171,232	514,890	388,821
Profit/(Loss) before Tax	307,486	182,385	115,405	278,346	216,919	(37,470)	22,029	14,062	263,876	35,846
Taxation	(14,436)	(52,449)	(13,922)	(1,945)	16,925	20,014	46,264	29,957	(32,516)	(31,245)
Profit/(Loss) after Tax	293,050	129,936	101,483	276,401	233,844	(17,456)	68,293	44,019	231,360	4,601
Dividends	199,990	99,995	49,998	99,995	99,995	49,998	49,998	-	59,998	39,998
STATEMENT OF FINANCIAL POSITION										
Property, Plant and Equipment	143,283	136,964	136,226	143,342	162,710	186,883	214,959	235,513	244,602	234,319
Short-term Investment	197,002	209,061	209,839	270,283	244,838	247,029	305,929	236,453	227,893	208,941
Current Assets	1,895,777	1,549,565	1,608,901	1,582,904	1,784,555	1,567,493	2,038,196	1,762,864	2,292,285	2,016,498
Total Assets	10,693,007	10,213,076	9,015,246	12,077,838	11,780,962	10,405,826	12,192,882	10,471,571	9,631,641	8,537,898
Total Equity	10,034,770	9,716,254	8,319,369	11,701,440	11,344,714	10,000,059	11,370,598	9,882,818	8,516,730	7,509,196
Non Current Liabilities	86,459	63,695	58,007	62,227	51,429	44,765	38,826	30,028	85,776	115,372
Current Liabilities	571,778	433,127	637,870	314,171	384,819	361,002	783,458	558,725	1,029,135	913,329
RATIOS										
Earnings per Share (Rs.)	7.33	3.25	2.54	6.91	5.85	(0.44)	1.71	1.10	5.78	0.12
Dividend per Share (Rs.)	5.00	2.50	1.25	2.50	2.50	1.25	1.25	-	1.50	1.00
Dividend Cover (Times)	1.47	1.30	2.03	2.76	2.34	(0.35)	1.37	-	6.20	2.84
Dividend Payout Ratio %	68.21	76.92	49.27	36.18	42.74	(35.20)	73.10	-	25.96	833.34
Price Earning Ratio (Times)	20.50	22.78	43.30	22.88	20.01	(260.22)	81.87	97.32	18.74	815
Total Assets to Equity (Times)	1.07	1.05	1.08	1.03	1.04	1.04	1.07	1.06	-	1.49
Net Assets per Share (Rs.)	250.88	242.92	207.99	292.55	283.63	250.01	284.28	247.08	212.93	187.24
Market Value per Share (as at 31st March) (Rs.)	150.25	74.00	110.00	158.10	117.00	114.50	140.00	107.10	108.30	97.80
Return on Equity (%)	2.92	1.34	1.22	2.37	2.06	(0.18)	0.61	0.45	2.72	0.06
Return on Total Assets (%)	2.74	1.27	1.12	2.29	1.98	(0.18)	0.56	0.42	2.4	0.05
Gross Profit Ratio (%)	3.88	5.17	1.39	5.48	7.55	9.29	3.22	7	13.87	11.41
Net Profit/(Loss) Ratio (%)	9.45	4.28	5.28	15.02	11.39	(0.73)	3.49	1.8	6.23	0.14
Current Ratio (Times)	3.32	3.58	2.52	5.04	4.64	4.34	2.6	3.16	2.23	2.21
Liquidity Ratio (Times)	2.55	2.75	1.49	3.45	3.95	3.4	1.81	2.53	1.62	0.67

NOTICE OF MEETING

Notice is hereby given that the Thirty Ninth (39th) Annual General Meeting of Lanka Milk Foods (CWE) PLC* will be held at Lanka Milk Foods (CWE) PLC, Welisara, Ragama on Thursday, 30th of September 2021 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 2021 with the Auditors' Report thereon.
2. To approve a Final Dividend of Rs.5.00 per share, as recommended by the Board of Directors.
3. To re-elect Mr. D. S. K. Amarasekara 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.
4. To re-elect Mr. D.H.S. Jayawardena, who is over the age of 70 years and who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007 as a Director of the Company by passing the following Resolution.

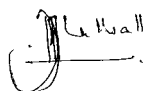
"That Mr. D.H.S. Jayawardena who attained the age of 70 on 17th August 2012 be and is hereby re-elected as a Director of the Company and it is hereby declared that the age limit of 70 years referred to in section 210 of the companies Act No.7 of 2007 shall not apply to the said Mr. D.H.S. Jayawardena."

5. To re-elect Dr. A. Shakthevale who is over the age of 70 years and who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007 as a Director of the Company by passing the following Resolution.

"That Dr. A. Shakthevale who attained the age of 70 on 04th September 2012 be and is hereby re-elected as a Director of the Company and it is hereby declared that the age limit of 70 years referred to in section 210 of the companies Act No.7 of 2007 shall not apply to the said Dr. A. Shakthevale."

6. To re-appoint Messrs. KPMG, (Chartered Accountants) as the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine payments for the year 2022, 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
03rd September 2021

*NOTE:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Thirty Ninth (39th) Annual General Meeting of Lanka Milk Foods (CWE) PLC will be a virtual/hybrid 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, the Company Secretary and the External Auditors will be present at Lanka Milk Foods (CWE) PLC at 10.00 a.m. on Thursday, 30th of September 2021.

ii. Shareholder participation

- a) The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

- b) The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audiovisual means only.

- c) The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audiovisual means only. To facilitate this process, the shareholders are required to furnish their details by perfecting Annexure II to the circular to shareholders and forward same to reach the Company Secretary via e-mail to agm_2021@lmfgroup.lk or facsimile on +94 11 2956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than five (05) days before the date of the meeting so that the meeting login information could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

- d) To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly completed Forms of Proxy should be sent to reach the Company Secretary via e-mail to legal@lmfgroup.lk or facsimile on +94 11 2956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than forty eight (48) hours before the time fixed for the meeting.

iii. Shareholders' queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via e-mail to legal@lmfgroup.lk or facsimile on +94 11 2956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than five (5) days before the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that such queries could be addressed at the meeting.

2. The Annual Report of the Company for the year 2020/2021 will be available for perusal on the website on www.lmfgroup.lk and on the Colombo Stock Exchange website on www.cse.lk.

FORM OF PROXY

LANKA MILK FOODS (CWE) PLC

I/Weof

being a shareholder/s of the above Company, hereby appoint

.....of.....

..... (whom failing)

Don Harold Stassen Jayawardena, (whom failing)

Cedric Royle Jansz, (whom failing)

Don Stasshani Therese Jayawardena, (whom failing)

Don Soshan Kamantha Amarasekera, (whom failing)

Arinesarajah Shakthevale, (whom failing)

Don Hasitha Stassen Jayawardena, (whom failing)

Don Sanjivani Clarinda Jayawardena,

as my/our proxy to represent me/us, to speak and to vote on my/our behalf at the Thirty Ninth (39th) Annual General Meeting of the Company to be held on the 30th September 2021, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	Resolution	For	Against
1	To approve a final dividend of Rs. 5.00 per share		
2	To re-elect Mr. D. S. K. Amarasekera, who retires in terms of Article No.94 of the Articles of Association of the Company		
3	To re-elect Mr. D. H .S. Jayawardena, who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007		
4	To re-elect Dr. A. Shakthevale, who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007		
5	To re-appoint Auditors and to authorise the Directors to determine their remuneration		
6	To authorise the Directors to determine payments for charitable and other purposes in terms of Company's Donation Act. (Cap 147)		

Signed this day of September Two Thousand Twenty One

.....
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, proxy shall be either under its common seal or signed by its Attorney or an officer on behalf of the corporation.

The Company may, but shall not be bound to, require evidence of the authority of any such Attorney or Officer. A proxy need not be a member of the Company.

In terms of Article 73 of the Article of Association of the Company:-

The Instrument appointing a proxy shall be lodged, and the Power of Attorney (if any) under which it is signed or a copy certified by a Notary thereof shall if required to be deposited for inspection, at the office in each case not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll before the time appointed for the taking of the poll at which the person named in the instrument proposed to vote, and in default, the instrument of proxy shall not be treated as valid.

In terms of Article 67 of the Article of Association of the Company:-

In the case of joint-holders of a share the senior who tenders a vote, whether in person or by proxy or Attorney or by a representative, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint-holding.

The first joint-holder thereby has the power to sign the proxy without the concurrence of the other joint-holding.

- (b) The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the form of proxy.
- (c) In the case of non-resident shareholders the stamping can be attended to on return of the signed form of proxy to Sri Lanka.
- (d) To be valid the completed form of proxy should be deposited with the Secretary, Lanka Milk Foods (CWE) PLC at the registered office of the company at Welisara, Ragama, not later than 48 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 Tel: +9411 2956263-5, +9411 5222600 Fax: +9411 2956266 Email: lakspray@lmfgroup.lk Website: www.lmfgroup.lk
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
Board of Directors	Mr. D. H. S. Jayawardena - Executive Chairman Mr. C. R. Jansz - Executive Director Ms. D. S. T. Jayawardena - Executive Director Ms. D. S. C. Jayawardena - Executive Director Mr. D. S. K. Amarasekera - Independent Non-Executive Director Dr. A. Shakthevale - Independent Non-Executive Director Mr. D. Hasitha. S. Jayawardena - Non-Independent Non-Executive Director
Group Chief Executive Officer	Mr. M. 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.
Bankers	Hatton National Bank PLC Commercial Bank of Ceylon PLC DFCC Bank PLC Hong Kong & Shanghai Banking Corporation Ltd Bank of Ceylon

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