



TRAILBLAZING INNOVATION

LANKA MILK FOODS (CWE) PLC - ANNUAL REPORT 2023/24



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



Lanka Milk Foods Group



Let's stay connected
Ambewela
Daily
Lakspray
MyJuicee
Dano



TRAILBLAZING INNOVATION

Fortified by our heritage brand Lakspray, which has been in market for over 60 years, Lanka Milk Foods has been at the forefront of dairy production in Sri Lanka, blazing a trail of innovation that has kept us in the hearts of our consumers and at the top of our industry.

This year was no different: we strategically increased our farm milk production, strengthened our assets through cutting-edge technology, and ensured that sustainability remained a core element of our corporate strategy.

As we prepare to seize more opportunities for sustainable business operations, we reflect on a year of resounding victories made possible by the dedication of our people and our partners to push boundaries and keep innovation as a main pillar.

We continue to sustain the nation with our premium portfolio of much-loved dairy products, and we firmly root ourselves as the top performer in our field, eager to take on the future with unwavering confidence, unbreakable resilience and unwavering commitment.

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ABOUT OUR REPORT



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

In addition to the relevant financial reporting standards, statutory requirements and sustainability reporting guidelines, the Annual Report aims to fulfil our stakeholders' information requirements and expectations, providing a transparent overview of our overall performance from 01st April 2023 to 31st March 2024.

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 Limited, 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 2024.

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

Reporting Standards and Principles

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

Assurance

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

Feedback and Inquiries

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

Our Annual Report reflects our efforts to improve performance and communicate our achievements to our stakeholders. We strive to make it clear, concise and informative for our readers. We value your feedback. Your suggestions will help us improve the quality, readability, and information value of future reports. Please send your feedback to,

Chief Financial Officer
Lanka Milk Foods (CWE) PLC
579/1, Negombo Road,
Welisara, Ragama
Email - finance@lmfgroup.lk

NAVIGATING OUR REPORT

CAPITALS

FINANCIAL
CAPITAL



HUMAN
CAPITAL



MANUFACTURED
CAPITAL



INTELLECTUAL
CAPITAL



SOCIAL &
RELATIONSHIP
CAPITAL



NATURAL
CAPITAL



STAKEHOLDERS

CUSTOMERS



EMPLOYEES



INVESTORS



SUPPLIERS



GOVERNMENT



COMMUNITY



ABOUT US

Lanka Milk Foods (CWE) PLC has established itself as a trailblazer in Sri Lanka's dairy industry, embarking on a remarkable journey of excellence. Our unwavering commitment extends beyond providing Sri Lankan consumers with high-quality, nutritious dairy products – it encompasses a dedication to responsible cattle care, sustainable practices, and fostering the continued growth of Sri Lanka's dairy production for a brighter future.

Our flagship brand, Lakspray, has been a household name synonymous with trust and quality for over six decades. Lanka Milk Foods' broader portfolio, including beloved brands like Ambewela, Daily, My Juicee, and Dano milk powder, further strengthens our commitment to providing a diverse range of dairy and beverage options for Sri Lankans. We also partner with Red Bull and Happy Cow cheese, solidifying our position as a leader in Sri Lanka's dairy landscape.

Lanka Milk Foods operates two of the largest dairy farms in Sri Lanka, Ambewela Farm and Pattipola Farm. These farms are testament to our dedication to animal welfare and responsible agricultural practices. We



recently expanded our operations with the addition of United Dairies Lanka (Private) Limited, establishing one of South Asia's largest dairy complexes. This state-of-the-art facility comprises two separate farms, each with a capacity of 2,000 cows, and underscores our commitment to advancing Sri Lanka's dairy production capacity and shaping the future of the industry.

At Lanka Milk Foods, we value not only the quality of our products but also the well-being of our people. We are committed to providing our employees with a safe and rewarding work environment, fostering a culture that prioritises excellence and innovation as we focus on the future.

OUR VISION



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

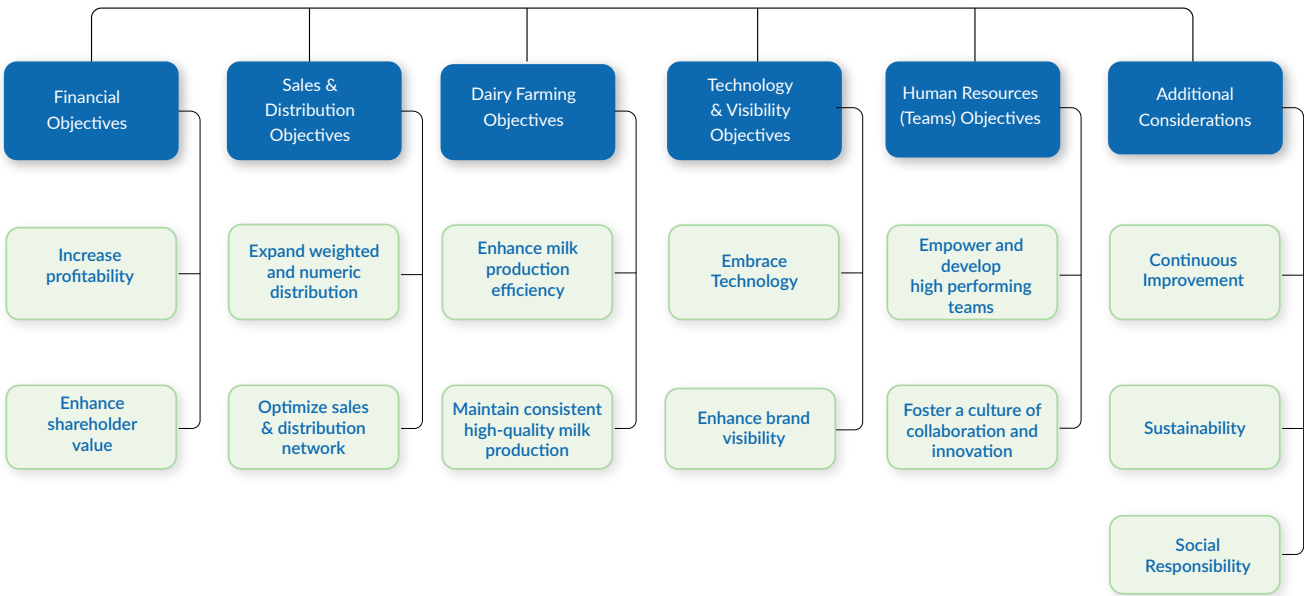
OUR MISSION

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

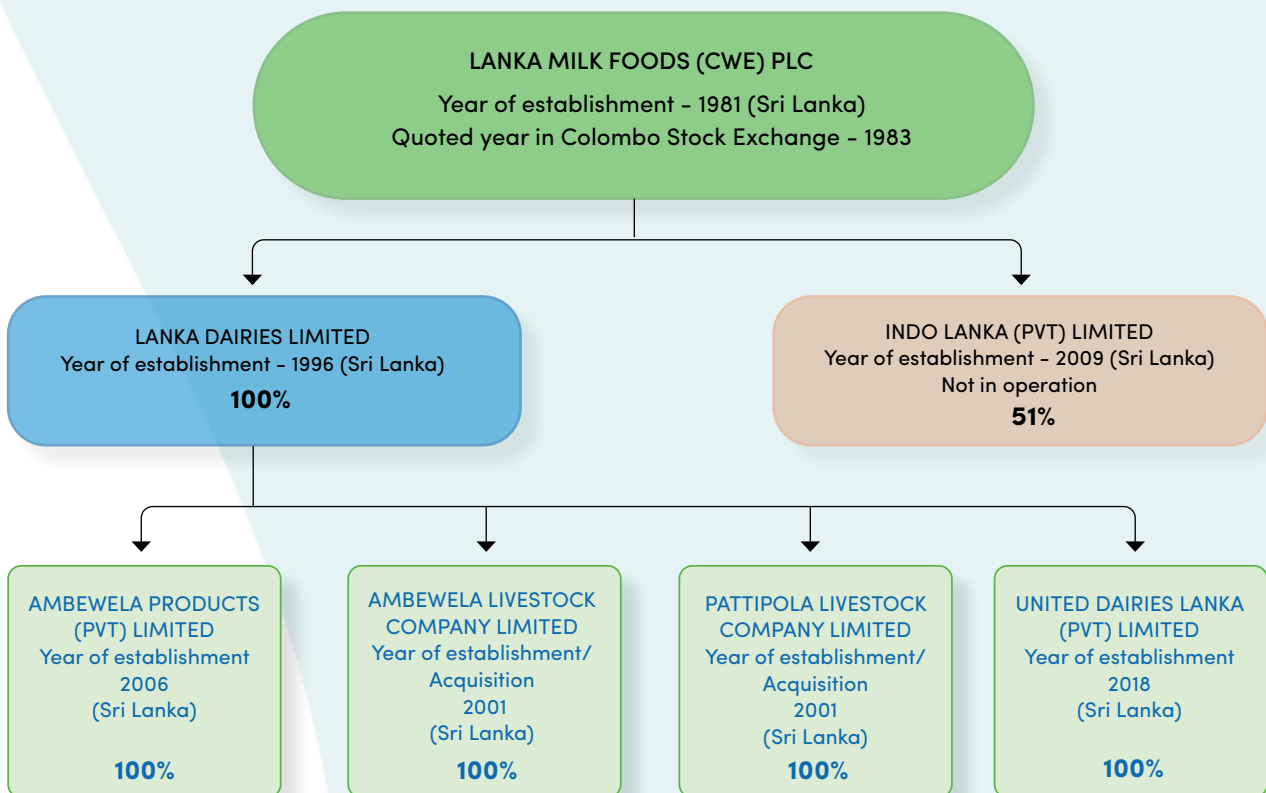
OUR VALUES

- Excellence
- Innovation
- Quality
- Sustainability
- Consumer Satisfaction

OUR STRATEGIC OBJECTIVES



GROUP STRUCTURE



MILESTONES OF OUR DAIRY JOURNEY



Lanka Milk Foods was incorporated in year 1981. The Company was Listed on the Colombo Stock Exchange, and production commenced in year 1983.

1981-1983



Acquired Ambewela and New Zealand Farms, establishing livestock companies and launching Ambewela Fresh Milk.

2001



Established Ambewela Products (Pvt) Ltd.

2006



Introduced Ambewela Yoghurt.

2009

1991

Privatisation of Company (Lanka Milk Foods)



1999-2001

Expanded Lanka Dairies production capacity and introduced flavoured milk and fruit nectar.



1996

Established Lanka Dairies Limited pioneering TetraPak technology in Sri Lanka and launching a new manufacturing facility.



2007

Lakspray brand was honoured with Superbrand



2004

Obtaining ISO 9001:2000



2010

Upgraded milk processing facilities, commenced exports to Maldives, and obtained ISO 9001:2008 certification.





Obtained ISO 22000:2005 food safety certification, established United Dairies Lanka (UDL), and invested LKR 5.6 billion in expanding dairy facilities.

2018



Upgraded calving technology at Ambewela farms.

2014



Marked Lanka Dairies' 25th anniversary and upgraded to ISO 22000:2018 food safety standard.

2021

2023



Achieved annual milk production of 16.5 million litres.

2024

2020

Achieved annual milk production of 10 million litres.



2022

Initiated milking operations at UDL Ambewela farm.



2013

Further expanded Lanka Dairies production capacity.



2019

Commenced construction of UDL project.



OUR RANGE OF PRODUCTS



LAKSPRAY

Lakspray has long served as a cherished staple and a heritage brand in Sri Lankan households, trusted for generations. Its creamy milk flavour evokes a sense of comfort and happy memories passed down from parents to children. Beyond its exceptional taste, Lakspray stands as a symbol of well-being. For over six decades, it has provided a rich source of essential milk proteins, vitamins, and minerals, supporting the health of Sri Lankans of all ages. Recognising the varied needs of our consumers, Lakspray is available in a range of convenient pack sizes, from 50g to 1kg, offering a perfect option for every family. Lakspray is a renowned brand in Sri Lanka, that has garnered a high degree of trust through its consistent quality and taste.



AMBEWELA DAIRY RANGE

For over two decades, Ambewela has solidified its position as Sri Lanka's No. 1 choice for fresh milk, offering the finest quality and taste. As a trusted household name, Ambewela has nourished families for generations with essential dairy nutrients.

Leveraging our position as one of South Asia's largest dairy farms, our commitment to quality begins at our farms, where rigorous processes ensure the production of fresh, pure milk. Ambewela harnesses cutting-edge technology throughout the production chain, ensuring the highest hygiene standards. UHT processing eliminates harmful bacteria, while aseptic packaging in Tetra Brik Aseptic packs ensures complete sterility, guaranteeing that our products are safe and pure.

Offered in a range of convenient sizes – 200ml and 1L packs, alongside a 450ml pouch – Ambewela caters to the diverse needs of Sri Lankan households, ensuring that everyone can enjoy our high-quality dairy products. Our commitment to innovation and unwavering focus on hygiene ensure that Ambewela delivers high-quality dairy products that families can trust.



AMBEWELA SET YOGHURT

In 2009, Ambewela Products (Pvt) Ltd introduced Ambewela Set Yoghurt, an innovative 80ml cup renowned for its exceptional flavour, natural colour, and delightful texture. Ambewela yoghurt goes beyond taste, offering a rich source of probiotics to support gut health and overall well-being. It's not just a cup of yoghurt but a wholesome nutritious snack in between meals or even a healthy alternative for a quick meal.



UHT FLAVOURED MILK PACKS

Ambewela brings a touch of childhood delight to Sri Lankan families with its UHT-flavoured milk in convenient 150ml pouches. Available in classic chocolate and delightful vanilla, these treats are a creation of Ambewela Products (Pvt) Ltd. Perfect for busy lifestyles, Ambewela Flavoured Milk is a delicious on-the-go option, readily available in corner shops, canteens, near schools, and throughout the vast network of general trade shops across the island.



AMBEWELA FLAVOURED MILK

Ambewela Flavoured Milk, a creation of Lanka Dairies Limited, brings a delightful twist to classic milk with family-sized one-litre packs and convenient 180ml options of chocolate and vanilla flavours. It is a delicious treat for all ages. The products are free from preservatives, and the flavour ingredients are sourced from the world's best and no. 01 manufacturers.



AMBEWELA GOAT MILK

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

OUR RANGE OF PRODUCTS

AMBEWELA CHEESE



Our Ambewela Cheese range offers a world of flavour for every occasion. It includes seven types of cheese made from our own milk: Edam, Gouda, Parmesan, Processed, Mozzarella, Paneer, and Spread Cheese.

Ambewela Products (Pvt) Ltd. produces Gouda cheese in various block, slice, and spreadable formats. Our signature 200g processed cheese promises an exquisite taste experience.

The classic offerings from our New Zealand Farm in Pattipola use the traditional cottage cheese-making process. They include Edam, Gouda, and Parmesan varieties in versatile ball, block, grated, and shredded forms. The ball cheeses come in both plain and excitingly flavoured options, including pepper, cumin, chilli, and garlic.

Ambewela Cheese caters to a variety of palates, from those seeking familiar comfort foods to those crafting gourmet cheeseboards.



AMBEWELA BUTTER

Ambewela Butter, crafted from our own high-quality milk, elevates every dish with its rich, creamy taste and texture. Since December 2014, our Ambewela dairy facility has been crafting delicious 200g butter packs. Ambewela Butter offers exceptional quality and unmatched versatility for both home cooks and professional chefs.

DAILY



Daily Flavoured Milk, the first ever UHT product in Sri Lanka, uses Ambewela Farms' premium milk to craft a delightful range of flavours. Produced aseptically at our Welisara facility, Daily has a six-month shelf life without refrigeration. The product contains no preservatives and all flavour ingredients used are sourced from the world's best ingredient manufacturers. The coffee and cocoa flavours are obtained from natural powders. From classic chocolate and vanilla to refreshing strawberry and banana, and even unique blends like iced coffee and faluda, Daily offers a taste of Sri Lanka for every palate. Indulge in a one-litre faluda pack or explore the variety – Daily's delightful flavours have captivated Sri Lankan and Maldivian youth alike.



DAILY ACTIV

Daily Activ is a UHT-treated malt chocolate beverage that packs a flavourful punch. Made with fresh milk from our own farms, it delivers a perfect blend of taste and essential nutrients. Daily Activ has become a popular choice among young Sri Lankans, as its energy and rich flavour fuel their active lifestyles and aspirations. Our commitment to quality extends beyond our borders, with Daily Activ capturing the hearts and minds of young Maldivian consumers as well.



MY JUICEE FRUIT DRINK

My Juicee is a delicious fruit nectar packed with natural vitamin C. Made with real fruit pulps and no added preservatives, it's a healthy and refreshing thirst-quencher for all ages. Produced at Lanka Dairies' Welisara facility under strict hygiene standards, My Juicee comes in convenient 180ml packs and family-sized 1L options. It is available in apple, mango, mixed fruit, and orange variants. The products contain natural pulp content ranging from 25%-50%, offering the consumer a rich beverage which is filled with the taste of real fruit.



DANO FULL CREAM MILK POWDER

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

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

FINANCIAL HIGHLIGHTS

For the Year Ended 31 March		Group			Company		
		2024	2023	Change %	2024	2023	Change %
OPERATIONS							
Revenue	Rs. '000	16,704,032	14,171,501	17.87	6,678,336	4,072,143	64.00
Gross Profit	Rs. '000	2,663,808	1,778,903	49.75	1,659,870	897,834	84.87
Profit from Operations	Rs. '000	1,766,122	1,172,934	50.58	1,057,409	522,792	102.26
Profit/(Loss) Before Tax	Rs. '000	2,293,401	1,262,422	81.67	2,261,621	1,509,202	49.86
Profit/(Loss) for the Year	Rs. '000	2,215,510	1,189,205	86.31	2,209,064	1,520,907	45.25
Profit/(Loss) Attributable to Equity Holders	Rs. '000	2,215,668	1,189,319	86.30	2,209,064	1,520,907	45.25
Revenue per Employee	Rs. '000	23,428	19,574	61.22	30,082	18,098	66.22
FINANCIAL POSITION							
Non-Current Assets	Rs. '000	23,498,208	16,982,033	38.37	19,715,729	12,365,536	59.44
Current Assets	Rs. '000	6,274,282	4,144,431	51.39	3,793,792	2,070,138	83.26
Total Assets	Rs. '000	29,772,490	21,126,464	40.93	23,509,521	14,435,674	62.86
Total Equity	Rs. '000	21,806,297	14,704,239	48.30	20,295,720	13,190,557	53.87
Non-Current Liabilities	Rs. '000	2,591,391	2,934,480	(11.70)	90,706	75,281	20.49
Current Liabilities	Rs. '000	5,374,802	3,487,745	54.11	3,123,095	1,169,836	166.97
Net Assets Attributable to Equity Holders	Rs. '000	21,806,804	14,704,588	48.30	20,295,720	13,190,557	53.87
RATIOS							
Earning per Share * (Basic)*	Rs.	5.54	2.97	86.54	5.52	3.80	45.27
Dividend per Share *	Rs.	0.63	0.50	26.00	0.63	0.50	26.00
Dividend Cover	(Times)	8.79	5.94	47.98	8.76	7.60	15.27
Dividend payout Ratio *	%	11.38	16.84	(32.43)	11.42	13.16	(13.22)
Dividend Yield	%	2.32	3.56	(34.84)	2.32	3.56	(34.84)
Interest Cover	(Times)	1.64	1.11	47.75	2.57	2.96	(13.18)
Net Assets per Share *	Rs.	54.52	36.76	48.31	50.74	32.98	53.85
Market Value per Share*	Rs.	27.20	14.08	93.32	27.20	14.08	93.32
Price Earning Ratio	(Times)	4.91	4.74	3.59	4.93	3.71	32.89
Debt/Equity	%	22.07	24.19	(8.77)	11.85	5.88	101.53
Return on Equity	%	10.16	8.09	25.59	10.89	11.53	(5.55)
Return on Total Assets	%	7.45	5.63	32.33	9.40	10.54	(10.82)
Gross Profit Ratio	%	15.95	12.56	26.99	24.86	22.05	12.75
Net Profit/(Loss) Ratio	%	13.27	8.40	57.98	33.08	37.35	(11.44)
Current Ratio	(Times)	1.17	1.19	(1.68)	1.21	1.77	(31.64)
Liquid Ratio	(Times)	0.51	0.39	30.77	0.84	1.31	(35.88)

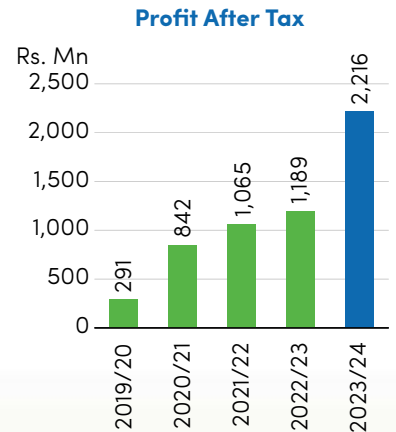
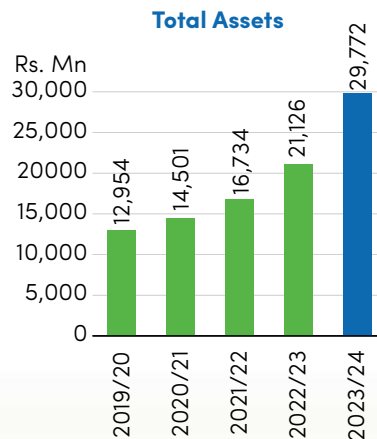
* Ratios have been adjusted Based on post -Sub division of 10 Shares for every Ordinary Share held in 2023.

RS. 16,704_{MN}

GROUP REVENUE

RS. 2,664_{MN}

GROSS PROFIT

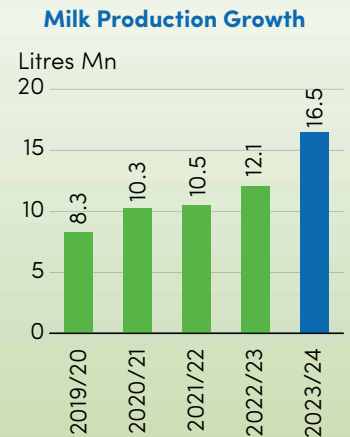


RS. 2,216_{MN}

PROFIT AFTER TAX

RS. 29,772_{MN}

TOTAL ASSETS



16.5 MILLION LITRES

TOTAL FARM MILK PRODUCTION

4,578

TOTAL CATTLE

(AS OF 31ST MARCH 2024)







LEADERSHIP

CHAIRMAN'S MESSAGE



Dear Valued Stakeholder,

I am pleased to present a comprehensive overview of the Lanka Milk Food Groups' performance and audited results for the financial year 2023/24. Following our previous report, this year too has been a year of record-breaking profitability and revenue. This is a testament to our prudent strategies, sustainable growth, and operational excellence combined with strong execution by the team amidst challenging market conditions.

This Report details the Group's plans, strategies, and key activities that have driven our success throughout a period of significant challenges. Despite these hurdles, LMF Group exhibited remarkable resilience, as evident by the positive results presented. We stand poised to deliver continued growth and maintain our leadership in the Sri Lankan dairy industry.

Economic Landscape

During the year 2023, the global economy slowed significantly, with growth declining to 3.2% from 3.5% the previous year (IMF). This was driven by persistent inflation, reduced consumer and business confidence, higher interest rates and geopolitical tensions disrupting supply chains and increasing energy prices.

In the national context, Sri Lanka faced significant economic challenges in 2022, but a notable recovery emerged in the latter part of 2023. The effective implementation of

LMF GROUP EXHIBITED REMARKABLE RESILIENCE, AS EVIDENT BY THE POSITIVE RESULTS PRESENTED. WE STAND POISED TO DELIVER CONTINUED GROWTH AND MAINTAIN OUR LEADERSHIP IN THE SRI LANKAN DAIRY INDUSTRY.

the IMF programme and targeted interventions led to inflation dropping sharply from 50.3% in March 2023 to 0.9% by March 2024. Deflation in key sectors such as food and transport contributed further to this recovery. IMF recommended reforms improved the revenue-to-GDP ratio from 8.2% to 11%, while domestic interest rates fell. The Sri Lankan Rupee appreciated by 8.2% supported by a recovery in tourism, increased remittances and a narrow trade deficit.

Looking ahead, maintaining this positive trajectory requires addressing the root cause of past challenges, fostering a robust export economy, and adopting sound governance practices. Through strategic reforms, international cooperation, and a commitment to responsible governance, Sri Lanka can secure a stable and prosperous future, creating a thriving environment for businesses and shared success for all our people.

Group Performance

Despite global economic challenges, the LMF Group delivered outstanding results in the financial year ending 31st March 2024, strengthening its leadership in the Sri Lankan dairy market. Achieving a historic turnover of Rs. 16.7 billion, reflecting a significant year-on-year growth of Rs. 2.5 billion. The year highlights our ability to navigate market dynamics and seize strategic opportunities. Gross profit surged to an unprecedented Rs. 2.6 billion and Profit After Tax (PAT) claimed a

record high of Rs. 2.7 billion, reflecting robust financial management and operational excellence. Beyond financials, our island-wide presence and commitment to excellence in quality have fostered lasting partnerships and a solid reputation as a trusted brand.

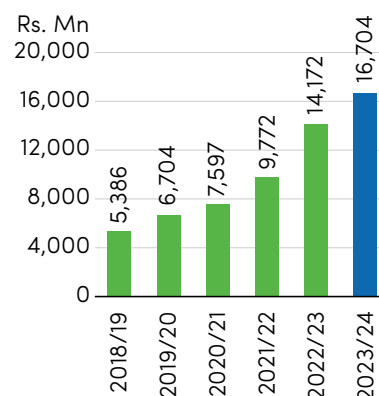
Segment Performance

The powdered milk segment performed better in comparison with the previous year with the turnover increasing due to increase demand for both brands, Lakspray and Dano – driven by economic recovery and Rupee appreciation. Conversely, liquid milk and other products, comprising 66.7% of revenue, saw a decline due to falling prices in powdered milk and the introduction of VAT from January 2024. However, recovery signs appeared in the latter stages of Q4 for liquid milk, projecting a positive outlook.

United Dairies Lanka (Pvt) Ltd (UDL) showcased our advanced dairy production capabilities, managing 4,600 cows – including heifers – across two state-of-the-art farms, namely Ambewela Livestock Ltd. and Pattipola Livestock Ltd. Despite initial challenges which included high feed costs, UDL saw a positive turnaround in Q2, with an average milk output of 31 litres per cow from the new barn facility.

Our commitment to continuous improvement has necessitated a sharp increase in operational input costs and funding requirements, however, we

Group Revenue



believe that this farsighted investment will reap significant returns in the near future.

Sustaining Dairy Excellence

LMF Group stands as a beacon of excellence in Sri Lanka's dairy industry. Our journey begins with the rich pastures of our pristine dairy farms – Ambewela and Pattipola. These state-of-the-art facilities, including the newly operational United Dairies Lanka expansion has supported a record milk yield of 16.5 million litres this year, the country's highest average milk production. This high-quality pure milk forms the foundation for our diverse and delicious product portfolio.

Our flagship product, Ambewela Pure Fresh Milk, continues to set the standard for quality and taste as the undisputed choice for Sri Lankan families. Daily Fresh Milk remains a trusted and affordable choice for consumers seeking high-quality flavoured fresh milk. Our diverse product range focusing on quality and value consist of Ambewela Set Yoghurt, Daily flavoured milk, natural cheeses and butter and My Juicee fruit juice.

Our consistent and growing success stems from the enduring popularity and timeless appeal of our products, which transcends borders. It is heartening to note that these delectable creations have rapidly grown to become household names

RS. 251.99 MN

Dividend Payout
(Rs. 199.99 Mn – FY 2022/23)

RS. 21,807 MN

Shareholder Funds
(Rs. 14,704 Mn – FY 2022/23)

CHAIRMAN'S MESSAGE

in the Maldives — representing their universal appeal and the ability to bring families together.

Corporate Governance

I would like to thank our outgoing Chief Executive Officer, Mr. Manjula Dahanayake, for his valuable contribution throughout his tenure and extend our best wishes in his future endeavours. I warmly welcome Mr. Sasanka Perera as Chief Executive Officer who brings with him the experience and relevant skills to continue the Group's journey to foster a culture of excellence as we forge ahead.

Dr. A. Shakthevale steps down as Independent Non-Executive Director of the Board. I extend my heartfelt appreciation for his valuable contribution to the board and tireless efforts in assisting to steer the company. We wish him our best in his future endeavours.

The Board warmly welcomed Mr. Manil Jayasinghe and Mr. Thusitha Cooray as Independent Non-Executive Directors. Together they bring with them a wealth of 65 years of cross-industry experience in different regions that will strengthen the Board's expertise and varied perspectives as we aptly navigate through the volatile business environment facing the challenges and harnessing opportunities of the future.

We remain unwavering in our commitment to achieving a robust good governance framework. We continuously review our organisational structures and policies to reflect industry best practices. Our diverse and experienced Board members bring a vibrant wealth of knowledge skill and expertise. We utilise vigorous oversight, thorough risk management, with clear accountability structures to ensure sound decision-making and manage potential risks as we continue to adapt to evolving issues.

As the market leader in the nation's dairy sector, we believe it is our responsibility to integrate sustainable

values into our business activities. We will continue to improve our processes to reinforce our steadfast commitment towards enhancing existing dairy farming standards and best practices that help create a sustainable environment where livestock, technology and people all work in unison to excel and increase results as we work towards minimising our carbon footprint.

Shareholder Value Enhancement

Shareholder value was significantly enhanced during the year. Market capitalisation surged by 93% to Rs. 10.9 billion, part driven by the January 2024 share sub-division at a ratio of 1:10, which improved liquidity of shares making them more accessible to a broader investor base. Earnings per share also increased by 87% to Rs. 5.54.

Distributions to shareholders totalled Rs. 251.99 million, complementing the share price appreciation. By the end of the financial year, a sub-divided share was valued at Rs. 27.20, representing a 48% increase post-sub-division.

Looking to the Future:

LMF Group is committed to expanding fresh milk production to meet rising market demand, leveraging advanced technology to enhance efficiency, animal welfare, and environmental sustainability. Our farms, adhering to international quality standards, are well-positioned for both regional and global competition. We continuously review practices across our state-of-the-art milking parlours, ensuring precise cow tracking, efficient production monitoring, and the careful management of herd health.

Despite a complex market with high feed costs and limited domestic crop production, we actively seek cost-effective feed alternatives and maintain advanced equipment to optimize returns.

As a stalwart in the industry, LMF Group recognises the potential of Sri Lanka's dairy industry in supporting local farmers and meeting national

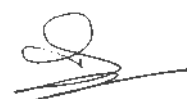
demand. We remain dedicated to collaborating with stakeholders to address the challenges faced by the industry, to improve infrastructure, ensure affordable feed, establish fair pricing mechanisms, and enhance herd productivity.

Appreciations

The stellar achievement during the year is a testament of the energy and dedication of our team. I wish to extend my sincere appreciation to the Board of Directors, Group CEO, and the teams – Executive Team, Sales, Farm Management – and Mr. Jaques Du Plessis. It is your relentless commitment that has resulted in another year of rewarding results as we strive to build a culture of performance excellence and continue to pave the way for new industry benchmarks.

I would like to thank all our stakeholders whose unwavering support and confidence has been instrumental in attaining our brand being synonymous with trusted quality nutrition. I thank our shareholders for your continued loyalty, trust and ongoing confidence to remain agile and resilient to deliver on our vision and purpose.

In closing, I would like to express my deep gratitude to our loyal customers and dealers whose trust is a part of the bedrock of our success. We remain steadfast in our efforts to continue to innovate and produce the sustainable products manufactured to highest standards of hygiene that will continue to hold a place of trust as the finest products of quality nutrition across the nation.



D H S Jayawardena

Chairman

29 August 2024

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE



Dear valued stakeholder,

As I begin my tenure as Group Chief Executive Officer, I am honoured to present Lanka Milk Foods' annual report for the financial year ended 31st March 2024. Stepping into this role has been an experience marked by both inspiration and immense opportunity. This year's report does not merely reflect our organisation's commitment towards trailblazing innovation and excellence; it also maps out the exciting roadmap we have charted for future growth.

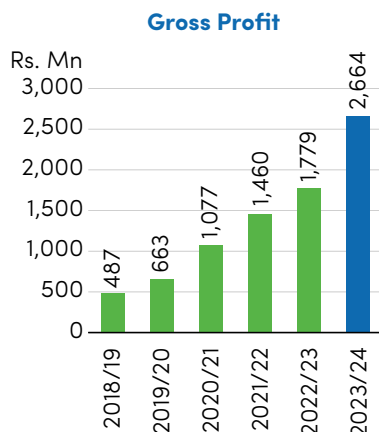
Financial Performance

Lanka Milk Foods Group capped off a stellar year ending 31st March 2024, solidifying its dominance in Sri Lanka's dairy market. Consolidated turnover hit a record high of Rs. 16.7 billion, displaying a significant increase of Rs. 2.5 billion year-over-year, a gain primarily driven by the strong performance of the fresh milk and milk powder segments.

Lanka Milk Foods' sharp focus on efficiency is evident through its consistent performance and continued improvement year-on-year. Gross profit surged to a record Rs. 2,664 million, exceeding the previous year's results by a substantial margin. This solid financial performance positions the Group for continued investment in innovation and long-term leadership, while our sound financial management practices were reflected in a record high Profit After Tax (PAT) of Rs. 2,216 million.

OUR COMMITMENT TO OPERATIONAL EXCELLENCE HAS DRIVEN A SIGNIFICANT INCREASE IN FARM MILK PRODUCTION, RISING FROM 12 MILLION LITRES TO 16.5 MILLION LITRES THIS YEAR, A GROWTH OF 37% COMPARED TO THE PRECEDING PERIOD.

GROUP CHIEF EXECUTIVE OFFICER'S MESSAGE



Highlights of the Year

Our commitment to operational excellence has driven a significant increase in farm milk production, rising from 12 million litres to 16.5 million litres this year, a growth of 37% compared to the preceding period. Our expansion has been fuelled by our herd of approximately 4,600 cows, who receive the best standards of comfort at our facilities and ensure a consistent supply of high-quality milk for our products.

As mentioned previously, the year under review marked a significant growth across our milk powder and fresh milk sectors, with the former exhibiting a notable growth in demand across our discerning consumer base. Furthermore, a growing desire for fresh, high-quality dairy products has driven significant growth within our range of fresh milk products. For those seeking the absolute best in taste and quality, Ambewela Fresh Milk, sourced from our own state-of-the-art farms, remains the undisputed first choice.

Here at Lanka Milk Foods, we are pleased to announce continued double-digit growth in our export market. We are heartened to note that our beloved Daily Flavoured Milk, which has served as a longstanding favourite among Sri Lankan consumers for over 28 years, has also captured the hearts of Maldivian customers. This surge in demand is a prime indicator of our expanding export presence, and we look forward to introducing a wider array of our loved brands to our valued Maldivian consumers in the near future.

Elevating Our Offerings

The organisation remains deeply entrenched in a culture of continuous improvement and innovation, and as we celebrate our accomplishments during the past year, we are eager to unveil several key initiatives designed to enhance our consumers' overall experience. Firstly, we are delighted to share that we will revitalise our butter and cheese range by introducing several exciting new variations catering to a wider range of consumer preferences. Through it all, our unwavering dedication to the highest quality standards remains paramount.

Secondly, in recognition of the importance of brand visibility, we are currently undertaking packaging improvements for our popular yoghurt family pack. We anticipate that these changes will serve to ensure optimal on-shelf visibility and considerably elevate the consumer experience. These initiatives, combined with our

ongoing focus on product quality and brand innovation, will undoubtedly position Lanka Milk Foods for continued success in the Sri Lankan dairy industry.

Empowering Growth

As we strive for continuous improvement across all aspects of our business, we are excited to announce the upcoming implementation of a new sales force automation system. This advanced solution builds upon the strong foundation of our existing technology infrastructure and is slated to optimise our sales processes, streamline workflows, and empower our sales team to deliver exceptional service to our valued customers.

The new system unlocks a range of benefits, including real-time access to comprehensive sales data for data-driven decision making, improved customer relationship management through efficient interactions, and robust reporting and analytics that fuel continuous improvement. By leveraging this powerful technology, striving for more stores, and building stronger business partners, we remain confident in our ability to significantly enhance our sales capabilities, strengthen customer relationships, and achieve lasting, sustainable growth.

Acknowledgements

I extend my deepest appreciation to everyone who contributed to LMF's success this year. First and foremost, our esteemed Chairman's unwavering leadership and the dedicated Board of Directors' strategic vision provided invaluable guidance that cemented our long-term success.

Our Group Management Consultant and talented Management Team deserve deep appreciation for their tireless efforts, dedication, and commitment to excellence. Their leadership directly translates into the results we achieve.

RS. 2,216 MN

Profit After Tax
(Rs. 1,189 Mn – FY 2022/23)

RS. 16,704 MN

Group Revenue
(Rs. 14,172 Mn – FY 2022/23)

To our incredible staff, who are the heart and soul of Lanka Milk Foods – your hard work, passion, and commitment are the foundation upon which we build our future. Thank you for everything you do.

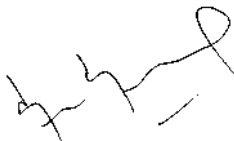
Finally, to our most valued partners – our customers, our continued trust and loyalty are what motivate us to innovate and excel. We are committed to delivering the highest levels of freshness, nutrition, and taste for the entire family, and we look forward to serving you for many years to come. The longstanding connections we have fostered with you and a continuous cycle of dedication drive us to stand steadfast as Sri Lanka's leading dairy producer.

A Look Towards the Future

Lanka Milk Foods remains dedicated to elevating standards and driving innovation. We look forward to the ensuing results from our upcoming state-of-the-art sales automation system that will invariably empower our team and enhance customer service standards. This initiative, coupled with the exploration of new advertising avenues, will serve to deepen and add value to our relationships with our valued customers.

Looking ahead, we are strategically exploring opportunities to expand our reach beyond Sri Lanka, with a focus on Maldives and the Asian region. Our unwavering commitment to product quality and innovation remains a cornerstone of our success. We will continue to invest in developing exciting product variations and leveraging the strength of our Ambewela Farms, one of South Asia's largest dairy farm complexes with state-of-the-art facilities. This commitment ensures that the highest

quality milk goes into every Lanka Milk Foods creation. By focusing on innovation and customer connection, we are solidifying our position as Sri Lanka's leading dairy producer and bringing the very best to you.



Mr. Sasanka Perera

Group Chief Executive Officer

29 August 2024

BOARD OF DIRECTORS



Mr. D. H. S. Jayawardena
Non-Independent Non-Executive Chairman



Mr. C. R. Jansz
Executive Director



Ms. D. S. T. 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. H. M. A. Jayasinghe
Non-Executive Independent Director



Mr. J.T.M. Cooray
Non-Executive Independent Director

Mr. D. H. S. Jayawardena

Non-Independent Non-Executive Chairman

Mr. Harry Jayawardena is one of the most successful and renowned entrepreneurs in Sri Lanka who steers many successful enterprises in diversified business arenas. Appointed Chairman of Lanka Milk Foods (CWE) PLC in 2008, Mr. Jayawardena brought his strategic vision to the company, building on his successful 17-year tenure as Managing Director.

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

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

He is the Honorary Consul General for Denmark in Sri Lanka and the only Sri Lankan to be honoured with the prestigious “Knight Cross of

Dannebrog” by Her Majesty Queen Margrethe II of Denmark for his significant contribution to Danish arts, sciences, and business life.

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

Mr. C. R. Jansz

Executive Director

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

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

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

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

Ms. D. S. T. Jayawardena

Executive Director

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

Ms. Jayawardena marks several milestones for Aitken Spence PLC and Aitken Spence Hotel Holdings PLC as the youngest Board Member, and the first female member on the Board. Ms. Jayawardena was appointed as Joint Deputy Chairperson and Joint Managing Director, Aitken Spence PLC and Aitken Spence Hotel Holdings in September 2023 and she also heads

the Tourism sector of Aitken Spence PLC inclusive of hotels, destination management and overseas travel.

With a career spanning over 10 years at Aitken Spence, she wields a fresh perspective in management and leads strategic business units across the Group. She leads several key strategic teams as the Chairperson of Aitken Spence Hotel Managements (Pvt) Ltd., as a member on the Board of Directors of, Stassen Group, Aitken Spence Aviation (Pvt) Ltd, Western Power Company (Pvt) Ltd., She was appointed to the Board of Directors of Melstacorp PLC and Distilleries Company of Sri Lanka in September 2022.

She is graduate of St. James’ & Lucie Clayton College and Keele University in the United Kingdom, Emeritus Institute of Management, Singapore – and is an Associate Alumni of University of Cambridge (Judge Business School), United Kingdom. Ms. Jayawardena was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003; and was appointed as the Sri Lankan Ambassador for EY NextGen Club from 2017 to 2019.

Ms. Stasshani Jayawardena was appointed to the Executive Board of The Hotel Association of Sri Lanka (THASL) and represents THASL at the Ceylon Chamber of Commerce Committee since 2019. She is an Executive Committee Member at the International Chamber of Commerce in Sri Lanka since 2020 and a Steering Committee Member of the Ceylon Chamber of Commerce Tourism. She was appointed as Chairperson of the Employers’ Federation of Ceylon (EFC) Hotels and Tourism Employers Group for the financial year 2020/21. Ms. Jayawardena is also a member of the PWC NextGen Advisory Board. Ms. Jayawardena represents the Company as the Ambassador from Aitken Spence PLC at the Target Gender Equality initiative of the UN Global Compact since 2020.

BOARD OF DIRECTORS

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

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

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

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

Appointed to the Lanka Milk Foods Board in May 2008. Mr. Kamantha Amarasekera is a distinguished professional with a diverse background. He is a qualified Attorney-at-Law, a member of the Institute of Chartered Accountants of Sri Lanka, and holds a Business Administration degree from the University of Sri Jayawardenapura.

Mr. Amarasekera is a prominent Tax Consultant and the Senior Tax and Legal Partner at Amarasekera & Company, a leading tax consultancy firm in Sri Lanka.

His extensive board experience includes directorships at United Dairies

Lanka (Private) Limited, Balangoda Plantation PLC., Madulsima Plantations PLC., Kelani Tyres PLC., Eden Hotel Lanka PLC., Palm Garden Hotels PLC., Ceylon Hotels Corporation PLC, and Agstar PLC. Serendib Hotels PLC, Dolphin Hotels PLC, Hotel Sigiriya PLC, Hapugastenne Plantations PLC, Udapussellawa Plantations PLC, Sierra Cables PLC, and several other subsidiaries of Browns Investments Group.

Mr. Amarasekera is the Chairman of the Audit Committee and the Remuneration Committee at Lanka Milk Foods.

Dr. A. Shakthevale Independent Non-Executive Director

Dr. Shakthevale was appointed to the Board of Lanka Milk Foods (CWE) PLC as an Independent Director in May 2008. He is a Veterinarian cum Agricultural Economist with nearly 45 years of consulting, agricultural planning, project implementation, monitoring, and policy formulation experience. He has served in various positions in developing, monitoring and administering numerous agricultural sectors. He has experience working in the public (Agriculture, Livestock, Education and Health sectors) and private sectors, central and provincial ministries, and district levels.

Dr. Shakthevale has served as a Secretary at the Ministry of Rehabilitation and Social Service in North East Provincial Council; Additional Secretary (Livestock) at the Ministry of Agriculture and Livestock Development for six years; Board Director for MILCO and NLDB; Project Manager, Millennium Development Goals Project, funded by UNDP; Coordinating Secretary (Parliamentary Affairs) to the Minister of Policy Planning and Implementation; Member of the Sri Lanka Independent

Finance Commission; President of the Veterinary Council of Sri Lanka and President of the Senior Veterinary Surgeons Association of Sri Lanka. He has worked at FAO, UNDP, UNHABITAT, Land O'Lakes, and Oxfam GD. Currently, he is a member of the technical committee of All Island Dairy Association and a freelance Consultant in Livestock Development.

Additionally, he holds directorships at United Dairies Lanka (Pvt) Limited, Madulsima Plantations PLC, and Balangoda Plantations PLC.

Dr. Shakthevale is a member of the Audit and Remuneration Committees at Lanka Milk Foods (CWE) PLC.

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

Mr. Hasitha Jayawardena joined the Lanka Milk Foods (CWE) PLC board as a Director in July 2016. He holds a Bachelor of Business Administration (BBA) with Honours from the University of Kent, United Kingdom. He also worked as an intern at the Clinton Global Initiative (CGI) program in New York in 2007.

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 Limited., Ambewela Livestock Company limited., Pattipola Livestock Company Limited., Ambewela Products (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Zahra Exports (Pvt) Ltd., Mcsen Range (Pvt) Ltd., Balangoda Plantations PLC.,

Madulsima Plantations PLC., Melsta Gama (Pvt) Ltd., Melsta Health (Pvt) Ltd., Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., and DCSL Brewery (Pvt) Ltd.

Mr. Hasitha Jayawardena is a member of the LMF Related Party Transaction Review Committee.

Mr. H. M. A. Jayesinghe
Independent Non-Executive Director

Mr. Manil Jayesinghe was appointed an Independent Director of the Lanka Milk Foods (CWE) PLC on April 01st 2024.

Mr. Jayesinghe is a fellow Member of the Institute of Chartered Accountants of Sri Lanka, the Chartered Institute of Management Accountants (UK) and the Certified Management Accountants of Sri Lanka. He is also a member of The Chartered Institute of Public Finance & Accountancy.

Mr. Jayesinghe possesses over 41 years of experience in Advisory and Industry across key sectors in Sri Lanka, Maldives and Bhutan. He served as the Country Managing Partner of Ernst & Young Sri Lanka & Maldives from 2021 - 2023, Head of Assurance Practice for Sri Lanka and Maldives, and the Professional Practice Director of Sri Lanka from 2003 -2023

As the partner in Charge of the Banking, Financial and Insurance Services practice of the Ernst and Young Sri Lanka and the Maldivian firms, Mr. Jayesinghe has served as a key resource person in audits and consulting engagements in a multitude of industries, including banking, Financial and Insurance Services, manufacturing, retail, hospitality, wholesale business and telecommunication and gained extensive commercial experience. He has also been engaged in the valuation of business and strategic plans for Financial Institutions.

Mr. Jayesinghe is the current Chairman of the Statutory Accounting Standards Committee and a member of the Statutory Auditing Standards Committee. He serves in many other committees of the Institute of Chartered Accountants of Sri Lanka, Chairs the Accounting Standards Committee of the South Asian Federation of Accountants (SAFA), a member of Commission of Securities & Exchange Commission of Sri Lanka, a board member of the Board of Investment of Sri Lanka and a member of the Governing Board of the Central Bank of Sri Lanka.

Mr. Jayesinghe is a past president of the Institute of Chartered Accountants of Sri Lanka. He has served as a council member of the National Chamber of Commerce of Sri Lanka, a board member of the CIMA Sri Lanka board, a member of the International Accounting Education Standards Board of the IFAC, a council member of the Moratuwa University, a member of the Board of Sri Lanka Accounting & Auditing Standards Monitoring Board, a Council member of CMA Sri Lanka and have served as a consultant to the Audit Committees of the Listed Companies.

Furthermore, Mr. Jayesinghe was the Head of the IFRS/SLAS Desk in EY Sri Lanka, reporting to the Area IFRS Desk based in Hong Kong. As a resource person for the Central Bank Training Centre, he has conducted many training sessions on Accounting, IFRS and Basel. He was the lead engagement partner on Audits subcontracted to EY by the Auditor General of Sri Lanka.

Mr. Jayesinghe is an Independent Director on the Boards of Diesel and Motor Engineering PLC, Ceylon Hospitals PLC, C W Mackie PLC, Sahasiya Investments Ltd and John Keells Holdings PLC.

Mr. J.T.M. Cooray
Independent Non-Executive Director

Mr. Thusitha Cooray was appointed an Independent Director of the Lanka Milk Foods (CWE) PLC on April 01st 2024.

He holds a MBA from Henley Business School, UK, and a BSc in Management from the University of London (Int). He holds a Professional Postgraduate Diploma in Marketing from the Chartered Institute of Marketing, UK and has completed a Transformation Leadership Programme at INSEAD Business School in Fontainebleau, France.

Mr. Thusitha Cooray began his career in apparel manufacturing in 2001 and has held numerous positions within the industry. He possesses over 22 years of experience in Marketing and Business Development, Business Transformation, Corporate Planning, Strategy and Operations. During this time, he worked closely with leading Global Brands and Supply Chain partners to foster strategic business relationships.

Mr. Thusitha Cooray currently serves as Chief Transformation Officer at a leading Apparel Manufacturer based in Sri Lanka.

CORPORATE MANAGEMENT TEAM



Mr. Sasanka Perera
Group Chief Executive Officer



Mr. W.A. Dharmathilaka
Group Chief Financial Officer



Mr. K.L.W. Harischandra
Group Management Consultant



Mr. R.N. Attygalle
Director Farms



Mr. J Du Plessis
Dairy Consultant



Mr. A.M.S. Bandara
General Manager – Farms



Ms. Hemanthi Bulathwatte
Company Secretary / Chief Legal Officer cum
HR & Administration Manager



Ms. Ruwani Dias
Group Head of Marketing



Mr. Indika Jayarathne
Group Head of Sales



Mr. E.M. Hemarathne
General Manager – Lanka Dairies Limited



Mr. K Kulendran
General Manager – Ambewela Products
(Pvt) Limited





MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

VALUE CREATION MODEL

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

OUR INPUTS



Rs.21,807 Mn
Shareholder's Funds
Rs.4,811 Mn
Debt Financing Total Borrowings



713 Employees
Training and development
Talent management
Health and well-being
Grievance handling



02 Factories
04 Dairy farms
Rs.738 Mn Fixed assets additions



Investment in innovation and research
Investment in technology
Brand Reputation
Systems and processes
Certifications
Industry expertise
Best practices



Relationship with: 195 Distributors
Leading supermarket chains
Farm Visitors
Communities and Non-governmental organisations



462 Hectares of land
biological assets
Sustainable use of resources
Waste management

OUR OPERATIONAL FOUNDATION

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

Our Values

Excellence
Innovation
Quality
Sustainability
Consumer Satisfaction

Our Strategic Focus

FINANCIAL STABILITY AND GROWTH

Increase profitability
Enhance shareholder value

A ROBUST DISTRIBUTION NETWORK

Expand weighted and numeric distribution
Optimize sales & distribution network

EFFICIENT, HIGH QUALITY PROCESSES

Enhance milk production efficiency
Maintain consistent high-quality milk production

ENHANCED TECHNOLOGY AND VISIBILITY

Embrace technology
Enhance brand visibility

A FORWARD-THINKING TEAM

Empower and develop high-performing teams
Foster a culture of collaboration and innovation

A COMMITMENT TO EXCELLENCE

Continuous Improvement
Sustainability

BUSINESS SEGMENTS



Milk Powder



Liquid milk & other



Agriculture



Trading

CORE ACTIVITIES

Dairy Farming

Rearing cattle, cultivating feed

Milk Collection and Processing

Hygienic milk collection, advanced processing

Product Development

Manufacturing dairy products, including milk powder and fruit

Distribution

Islandwide distribution of dairy products and trading activities

ENABLED BY

Finance

Human Resources

Product Development

Dairy Farm and Herd Management

Information Technology

Sales and Marketing

SUPPORTED BY

Corporate Governance
Chairman and diverse Board of Directors
Board Sub Committees
CEO
Management Team
Business Units
Enterprise Risk Management



OUR OUTPUT



Financial

Revenue and profits and any figures that relate to shareholder returns (ROA, ROE)



Human

Rs. 1,210 Mn employee remuneration and benefits, performance based and benefits promotions, rate, equal pay ratio for male:female.



Manufactured

41% asset growth, state-of-the-art production facilities, advanced machinery, and cutting-edge technology



Intellectual

5 brands, quality certifications, process improvements



Social and Relationship

>60 SKU's offered to customers, regular factory and farm visits for visitors, island-wide presence, payments to suppliers



Natural Capital

100% of water effluents treated, 0 violations of environmental regulations

OUR IMPACT

Our Contribution towards People, Profits and Planet



OUR STAKEHOLDERS



Employees



Customers



Suppliers



Investors



Community



Government
































Shared Growth through Stakeholder Engagement

LMF Group believes our success is deeply intertwined with the success of our stakeholders, and firmly believe that our relationships with employees, customers, suppliers, investors, and communities define our true purpose as a responsible corporate. As a result, we regularly seek to understand their needs, challenges, and aspirations, and create a shared path forward by incorporating their perspectives into our decision-making. This collaborative approach fuels innovation, strengthens our business, and contributes positively to society. This serves as more than a strategy; it's how we operate.



Presented below is a summary of our stakeholder engagement activities during the 2023/24 financial year, including key stakeholder concerns and our proactive and comprehensive responses.

Stakeholder Group	Engagement Methods and Frequency	Stakeholder Concerns	Resources needed to respond	Our Response	Relevant SDGs
Employees 	<ul style="list-style-type: none"> Staff meetings (when necessary) Daily discussions (ongoing) Training programs Recreational activities Internal communication methods Communication boards (ongoing) 	<ul style="list-style-type: none"> Workforce transformation Fair opportunities and equal treatment Competitive remuneration and benefits packages Incentives and fair promotion procedure Employment Security Work-life balance Safe working conditions Participation and empowerment Information and communication 	 FINANCIAL CAPITAL INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> Providing safe, supportive working conditions Including family-friendly policies Shared values and objectives Effective communication systems throughout the organisation Providing equal opportunities and fair treatment Medical and insurance benefits Monthly product quota 	
Customers 	<ul style="list-style-type: none"> Social media (ongoing) Corporate Website (ongoing) Consumer helpline (ongoing) 	<ul style="list-style-type: none"> Product consistency Products that are healthy and safe Price, quality, and flavour Value and fulfilment for money spent Availability 	 SOCIAL & RELATIONSHIP CAPITAL MANUFACTURED CAPITAL INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> Providing nutritious, quality products, high in taste Re-engineering the sales and operational planning to make our products available and easy to reach Innovation of new products Food safety and quality management Minimise the out-of-stock situation 	

Stakeholder Group	Engagement Methods and Frequency	Stakeholder Concerns	Resources needed to respond	Our Response	Relevant SDGs
Suppliers 	<ul style="list-style-type: none"> • Visits to suppliers • Ethical methods of purchasing • One-on-one meetings (when necessary) 	<ul style="list-style-type: none"> • Continuous expansion of operations and relationships via supplier contacts • Efficient payment cycles 	 FINANCIAL CAPITAL  SOCIAL & RELATIONSHIP CAPITAL  INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> • Best procurement practices and prompt payments • Concentrated supply chain • Equal treatment Ethical sourcing of materials • Sufficient lead times 	  
Investors 	<ul style="list-style-type: none"> • Announcements made to CSE • Annual General Meeting/ Extra Ordinary General Meeting • Interim financial statements • Publication of the Annual Report • Earnings update webinar (quarterly) 	<ul style="list-style-type: none"> • Profitability and performance of the entity • Proper risk management • Return for the investments and risks taken • Sustainability and future growth of the business • Supportive business environment 	 MANUFACTURED CAPITAL  SOCIAL & RELATIONSHIP CAPITAL  NATURAL CAPITAL	<ul style="list-style-type: none"> • Corporate Disclosure • Dividends paid for investments • Sustainable operations • Investing in enhancing capability and technology to develop improved products 	  
Community 	<ul style="list-style-type: none"> • Press releases • Sustainable CSR initiatives • Advertisements 	<ul style="list-style-type: none"> • Being a socially responsible organisation • Community development • Employment opportunities • Ethical business conduct 	 FINANCIAL CAPITAL  SOCIAL & RELATIONSHIP CAPITAL  NATURAL CAPITAL	<ul style="list-style-type: none"> • Continued commitment to a cleaner environment • Responsible environmental business practices and ethical emissions • Assistance with social infrastructure • Providing graduate and undergraduate students in agriculture with training opportunities. 	  
Government 	<ul style="list-style-type: none"> • Compliance • Ethical business conduct • Support when required to conduct audits, etc. 	<ul style="list-style-type: none"> • Interactions with city authorities • Meetings and site inspections • Press releases • Prompt and full payment of taxes • Job retention and creation • Improved workplace safety • Maintaining a healthy ecosystem • Financial commitment to the economy • Healthy competition among businesses 	 FINANCIAL CAPITAL  MANUFACTURED CAPITAL  SOCIAL & RELATIONSHIP CAPITAL  INTELLECTUAL CAPITAL	<ul style="list-style-type: none"> • Compliance with product and business regulations • Honouring and adhering to all applicable government and international regulations • Sustainable business practices based on open communication about results 	  

Our Commitment to ESG and Sustainability

Lanka Milk Foods is committed to operating in a responsible and sustainable manner, recognising the importance of environmental stewardship, social responsibility, and strong corporate governance. This report outlines our key initiatives and achievements in Environmental, Social, and Governance (ESG) practices during the 2024 financial year.



Environmental

Sustainable Sourcing:

We prioritise sourcing milk from farms that implement sustainable practices, including responsible water and land management. We are actively developing partnerships with local dairy farmers to promote sustainable practices throughout our supply chain.

Reducing our Carbon Footprint:

We are committed to reducing our greenhouse gas emissions throughout our operations. Initiatives include energy efficiency upgrades in our facilities, transitioning to renewable energy sources, and optimising transportation routes, which in turn drive down overheads, while contributing towards responsible resource usage.

Animal Welfare:

We prioritise the well-being of our cows. We have implemented strict animal welfare protocols that ensure comfortable living conditions, healthy nutrition, and humane treatment.

Water Stewardship:

We are actively working to conserve water throughout our production processes. This includes implementing water-saving technologies, reusing wastewater for non-potable purposes, and raising awareness among employees about water conservation practices.

Impacted SDGs:



Capitals Transformed:

FC, NC, SRC, MC

Relevant Strategies:

- Financial Stability and Growth
- Efficient, High Quality Processes
- Enhanced Technology and Visibility
- A Commitment to Sustainable Excellence



Social

Employee Wellbeing:

We invest in the well-being of our employees by providing competitive wages and benefits, fostering a safe and healthy work environment, and offering opportunities for professional development.

Community Engagement:

We are committed to giving back to the communities where we operate. We support local initiatives focused on education, health, and environmental sustainability. We also partner with local dairy farmers to provide training and support.

Diversity and Inclusion:

We value diversity and inclusion in our workforce. We are actively working to create a workplace that is welcoming and respectful for all employees, regardless of background.

Responsible Marketing:

We strive to promote healthy and responsible consumption of our dairy products. We avoid misleading advertising and prioritise transparent communication about the nutritional value of our products.

Impacted SDGs:



Capitals Transformed:

FC, HC, SRC

Capitals Transformed:

- Financial Stability and Growth
- A Robust Distribution Network
- A Forward-Thinking Team
- Efficient, High Quality Processes
- A Commitment to Excellence
- Enhanced Technology and Visibility



Governance

Ethical Conduct:

We have a strong commitment to ethical business practices. We maintain a comprehensive code of conduct that guides our employees in their interactions with stakeholders.

Sustainability Governance:

We have established a dedicated ESG committee to oversee our sustainability efforts and ensure alignment with best practices. This committee reports directly to the Board of Directors.

Risk Management:

We have a robust risk management framework that identifies, assesses, and mitigates potential environmental, social, and governance risks.

Transparency and Reporting:

We are committed to transparent communication with our stakeholders regarding our ESG performance. We will continue to publish annual ESG reports to provide a comprehensive overview of our sustainability efforts.

Impacted SDGs:



Capitals Transformed:

FC, HC, SRC, NC

Capitals Transformed:

- Financial Stability and Growth
- A Commitment to Sustainable Excellence
- A Forward-Thinking Team



LOOKING AHEAD

We are committed to continuous improvement in our ESG practices. In the coming year, we will focus on:

- Setting ambitious sustainability goals across our environmental footprint.
- Expanding our community engagement programs.
- Furthering diversity and inclusion initiatives within our workforce.
- Implementing new technologies to improve resource efficiency.

We believe that by prioritising ESG considerations, we can create long-term value for our stakeholders, contribute to a more sustainable future, and maintain our position as a leader in the South Asian dairy industry.

FC	-	Financial Capital
HC	-	Human Capital
SRC	-	Social and Relationship Capital
MC	-	Manufactured Capital
IC	-	Intellectual Capital
NC	-	Natural Capital

External Environment

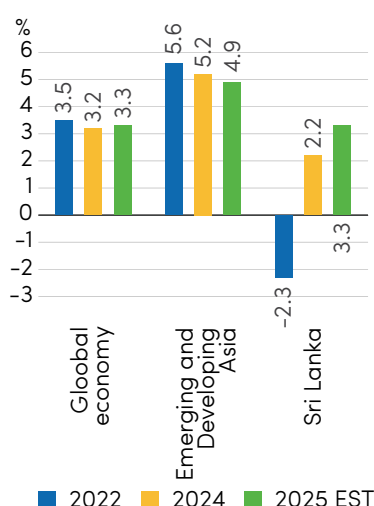


Global Environment

The global economy has shown signs of improvement, with strong exports from Asia driving trade growth. While many countries experienced positive growth trends, the United States and Japan saw sharper-than-anticipated slowdowns due to various factors. Europe displayed signs of economic recovery, led by an improvement in services activity. In China, resurgent domestic consumption and a temporary surge in exports contributed to an overall positive performance. These developments have narrowed the output divergences across economies; however, a slowdown in the momentum of global disinflation has become evident. Nominal wage growth remains brisk, recording values above price inflation in some countries, while the uptick in sequential inflation in the United States has delayed policy normalisation. On the other hand, emerging market economies remain cautious regarding the restriction of policy rates owing to external risks.

Global financial conditions remain supportive despite rising long-term yields. Corporate valuations have remained buoyant, ensuring financial conditions hold an accommodative stance. However, increasing yields may pressure fiscal discipline in countries with strained budgets.

GDP growth (Annual %)



According to World Bank and IMF, the global economy is projected to grow by 3.2% in 2024 and 3.3% in 2025. However, there is varied momentum in activity across economies at the turn of the year. Services price inflation is curbing progress on disinflation, which in turn has complicated monetary policy normalisation. Upside risks to inflation have increased, raising the

prospect of higher interest rates for a more prolonged period. To manage these risks and preserve growth, the policy mix should be sequenced carefully to achieve price stability and replenish diminished buffers. (World Economic Outlook Update 2024 January & 2024 July, Chief Economists Outlook 2024).



Operating Environment

The Sri Lankan economy witnessed a gradual revival in 2023 from the deepest economic downturn in its post-independence history. Decisive policy adjustments and structural reforms implemented by the Government and the Central Bank helped restore macroeconomic stability to a great extent, despite the short-term challenges faced by economic stakeholders.

These measures were essential to prevent further deepening of the crisis and to navigate the economy along a sustainable path of recovery. While risks abound, the unwavering commitment of policymakers along with wider public acceptance remains imperative to continue with the economic reform agenda and efforts to regain debt sustainability.

Sri Lankan Dairy Industry

The Sri Lankan dairy industry became VAT liable with effect from 01 January 2024. A focused and integrated strategy must be adopted to address the challenges brought on by the VAT hike. Facilitating the import of feed ingredients, the granting of access to underutilised land resources through government programs for dairy farming, the improvement and support of the production of silage and fodder, the reinforcing of dairy farming practices, and the promotion value-added dairy products are some of the key policy recommendations that may support in this regard.

At present, several challenges are affecting the dairy industry, leading to smallholder farm closures and a decline in milk output. These include growing costs for fodder, a lack of

grazing space, a rise in milk cow numbers, an unprofitable milk market, growing labour and transportation costs, a shortage of surgeons, and insufficient oversight as a result of an officer shortage. Strategic measures and swift action are required to revive the dairy industry.

In order to revive this vital industry, the Government introduced a plan to boost the local dairy sector. With the effective use of all the farms controlled by the National Livestock Development Board, a special programme will be undertaken to boost milk output by 53% in 5 years with the support of the private sector. The daily milk production is anticipated reach 20 million litres at the completion of this project, marking a five-fold increase.

Ambewela Farm has benefited greatly from this program. At Ambewela Farm, the daily milk production has grown to 50,000 litres from 1,600 litres. Our goal is to raise this to a capacity of 75,000 litres.

It is anticipated that the Sri Lankan dairy market will grow by 2.3% in 2025 in comparison to the previous year.

In 2023, the Sri Lankan economy showed signs of recovery, having recorded a moderate contraction of 2.3 per cent, in comparison to a significant contraction of 7.3 per cent observed in 2022.

Particularly in the second half of the year, the gradual yet steady rebound in 2023 was evident, during which the Gross Domestic Product (GDP) recorded positive growth rates supported by the removal of import restrictions and increased economic activity. This was underpinned by renewed macroeconomic stability amidst softening inflation and easing of external sector pressures.

GDP at current market prices grew by 14.8 per cent to Rs. 27,629.7 billion in 2023, owing to the price impact, as reflected by the GDP deflator of 17.5 per cent. Further, Gross National Income (GNI), estimated by adjusting GDP for the net primary income from the rest of the world, grew by 14.1 per cent at current prices in 2023. In US dollar terms, GDP increased to 84.4 billion in 2023 from 76.8 billion in 2022, supported by the appreciation of the Sri Lankan rupee during the year.

Inflation, which reached the historically highest level in September 2022, recorded a rapid disinflation process since then, reaching lower single-digit levels towards end 2023. Subdued demand due to the gradual transmission of the effects of the tight monetary conditions to the wider economy was the major contributor to this transition on the demand side that prevented the escalation of price pressures. This was further complemented by tight fiscal measures. Furthermore, the normalisation of domestic supply conditions, the moderation of global commodity prices, and the strengthening of the Sri Lanka rupee, alongside the favourable statistical base effect created by the large month on-month increases in prices seen in 2022 also contributed to this rapid disinflation process.



Exchange Rate Performance

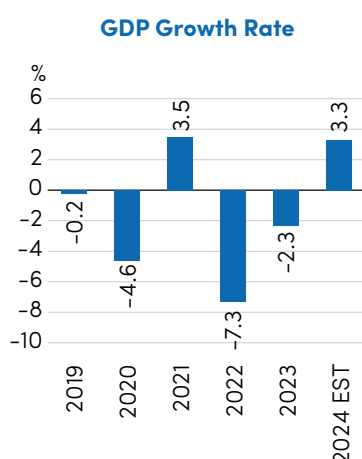
Improved liquidity circumstances and market attitudes in the domestic foreign exchange market contributed to the Sri Lankan rupee's notable appreciation in 2023, in comparison to the notable depreciation witnessed in 2022. Accordingly, the value of the Sri Lankan rupee appreciated by 12.1% in 2023 following the depreciation of 44.8% versus the US dollar recorded in 2022. Additionally, with effect from March 7, 2023, the Central Bank discontinued the provision of daily exchange rate guidance in order to facilitate greater flexibility in determining the exchange rate and promote market-driven activity in the domestic foreign exchange market. This measure was taken in accordance with the Central Bank's flexible framework for targeting inflation.

Overall, the Sri Lanka rupee recorded the highest appreciation since the beginning of the year by 08 June 2023, by reaching a growth of 24.8 per cent against the US dollar.

Key Macroeconomic Variables that affected the group

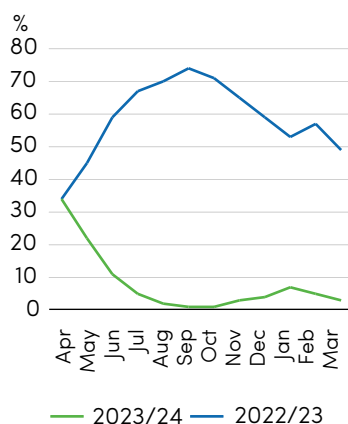


GDP Growth



Inflation

Inflation - NCPI Headline year-on-year



As measured by the NCPI, year-on-year headline inflation decreased to 3% in March 2024, compared to 34% in April 2023.

MANAGEMENT DISCUSSION & ANALYSIS

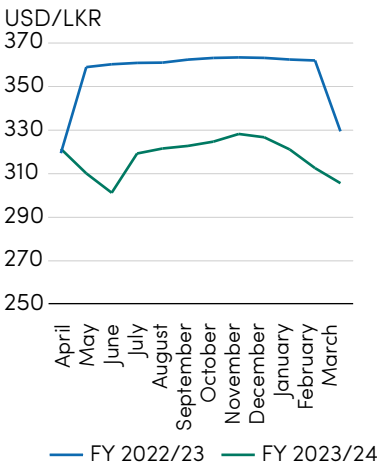
The Sri Lankan rupee's upward trend persisted in 2024 as well. As a result, as of the end of March 2024, the Sri Lankan rupee has increased in value relative to the US dollar by 7.6%. The key causes of this appreciation were the strong inflows of cash from tourism, worker remittances, and lower import costs. As a result, during the first quarter of 2024, the Central Bank was also able to obtain a notable amount of foreign exchange, totalling approximately US \$ 1,200 million on a net basis (based on the transaction date), which served to mitigate the excessive appreciation pressure that prevailed in the market.

As of June 28th, 2024, the USD/LKR spot exchange rate's middle rate stood at Rs. 305.71.



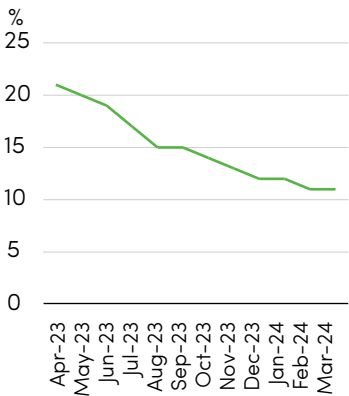
Domestic Interest Rates

Monthly Average Exchange Rates



From the noticeably high levels reported in the preceding year, market interest rates recorded a sharp decrease in 2023. The accommodative monetary policy measures that have been in place since June 2023, along with a number of other factors, have contributed to the decline in these rates. Other significant factors that contributed to the widespread

Average Weighted Prime Lending Rate (Monthly average)



decrease in market lending rates were the implementation of administrative measures and moral suasion aimed at reducing excessive market interest rates, which were supported by the rapid disinflation process and moderation of inflation expectations, as well as the decline in risk premia attached to yields on government securities after the Domestic Debt Optimisation (DDO) operation.

A notable decline of 15.11 percentage points was observed in lending rates in 2023, specifically in the Average Weighted Prime Lending Rate (AWPR),

which is one of the benchmark interest rates in the retail market and applies to short-term rupee loans and advances granted by LCBs to their prime customers during a given week. During the FY 2023/24 it has reduced from 21.4% in April 2023 to 10.69% in March 2024, a notable decline by 50%.

Policy interest rates reduced by 6.50 percentage points over the course of June to December 2023, and further recorded a decline by 50 basis points in March 2024. Accordingly, Standing Lending Facility Rate (SLFR) and Standing Deposit Facility Rate (SDFR) stood at 9.50% and 8.50% as at the end of April 2024, respectively.

With effect from August 16, 2023, the Statutory Reserve Ratio (SRR) on all rupee deposit liabilities of Licensed Commercial Banks (LCBs) was reduced by 200 basis points to 2.00 percent. This move served to contribute approximately Rs. 200 billion in new liquidity to the domestic money market. As a result, domestic money market liquidity increased in 2023, with an average shortfall of around Rs. 70 billion compared to an average deficit of about Rs. 450 billion in 2022.





Impact on our operations

While we faced significant challenges last year due to supply chain disruptions, import restrictions, and an exchange crisis, the company made substantial strides in overcoming these obstacles. The improvements in exchange rates, interest rates, and overall economic conditions have increased the resilience of our operations, enabling us to successfully navigate the complexities of the market. Notably, the cost of input materials has stabilised compared to last year, easing the pressure on our margins. This improvement has allowed us to focus on enhancing our product offerings and elevating our customer service proposition.

The milk powder market has become highly competitive due to the arrival of new suppliers. Many of these new entrants have offered significant discounts and aggressively liquidated their stock, leading the industry to create additional selling and distribution expenses to strengthen its ability to compete in the market.

The decision to increase the value-added tax (VAT) in from 01st January 2024, bolstered public finances. It also increased prices on certain value-added dairy products, impacting demand.

Looking ahead, we believe that the country's commitment to balancing economic growth with social welfare and fiscal responsibility is vital. By supporting key industries and ensuring a stable economic environment, we believe we can successfully create a more prosperous future for all citizens.

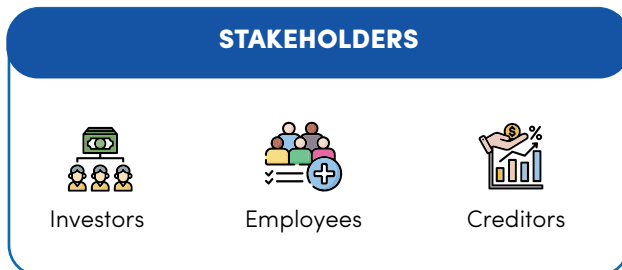
SNAPSHOT OF THE SRI LANKAN ECONOMY 2023

Source: Annual Economic Review 2023 – Central Bank of Sri Lanka





FINANCIAL CAPITAL



Sound financial management is crucial for our long-term sustainability. This section provides an overview of our financial performance, including revenue, expenses, and investments. We strive to generate sustainable financial returns while balancing the interests of all stakeholders.

Financial capital is a critical catalyst for achieving the United Nations Sustainable Development Goals (SDGs). Its ability to fuel economic growth, create jobs, and drive infrastructure development is a key contributor to enabling the progress of Goals 8 and 9. Moreover, financial resources are essential for transitioning to sustainable production and consumption patterns (SDG 12) and building resilient cities (SDG 11).

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

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

Highlights

The LMF Group achieved an unparalleled consolidated revenue of Rs. 16,704 million for the reporting year, an increase from Rs. 14,172 million recorded in the previous year. This achievement indicates the management's proactive stance in adapting strategies to tackle challenges in the operating environment. The Group recorded a net profit of Rs. 2,216 million after tax, and Rs. 251.99 million was paid as an interim dividend for the financial year.

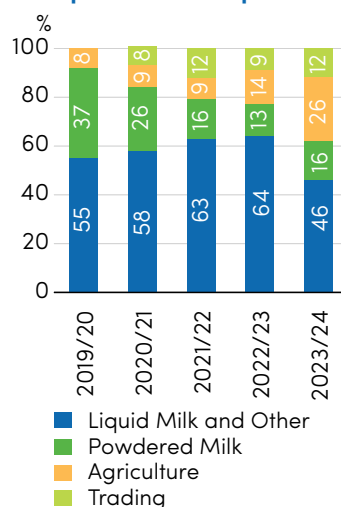


Revenue

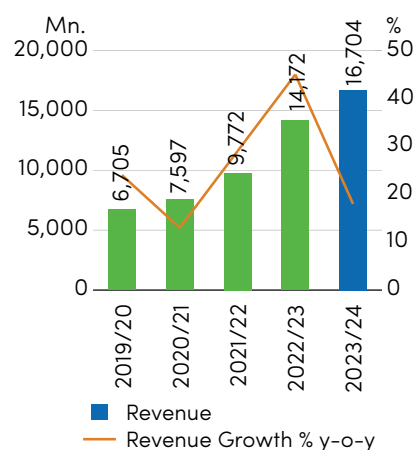
The LMF Group achieved a revenue growth of 18% to reach Rs. 16,704 million during the year under review, primarily supported by the liquid milk and agriculture segments. The agriculture sector revenue increased by Rs. 3,584 million, while the revenue from the powdered milk sector increased by Rs. 1,509 million. Simultaneously, the redistribution of Happy Cow cheese and the Red Bull energy drink enhanced revenue by Rs. 1,097 million. The liquid milk and other

category became VAT liable effective from 01st January 2024, resulting a decline in net revenue despite the price revision in certain dairy products.

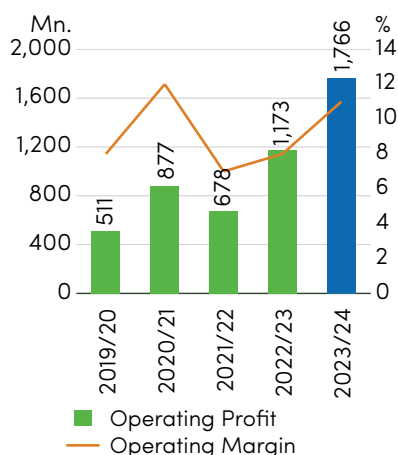
Group Revenue Composition



Revenue Growth

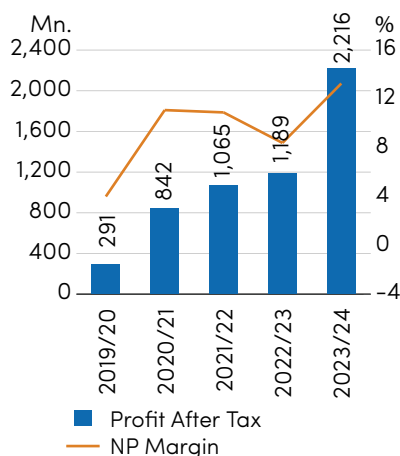


Movements in Operating Profit



The consolidated gross profit for the reporting year increased to Rs. 2,664 million, while the gross profit margin increased compared to the previous year. The Group displayed a healthy performance at an operating profit level, recording a growth of Rs. 593 million to reach an overall value of Rs. 1,766 million. The milk powder sector recorded positive results and served as the main contributors to growth in operating profits. Despite the price adjustments, the operating profits of liquid milk and other sectors decreased in comparison to the previous year.

Movements in Profit After Tax



The Group's net finance income increased to Rs. 527 million (2022/23: Rs. 89 million) due to the higher dividend income from Melsta Corp and DCSL vis-à-vis the 2022/2023

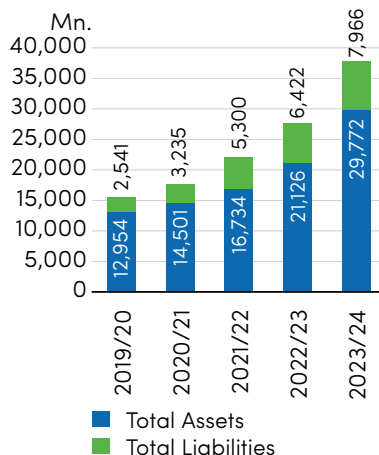
financial year. The Group's total annual tax amounted to Rs. 77.9 million, stemming from the increased income tax rates. Resultantly, the bottom-line consolidated profit after tax improved by 86% to Rs. 2,216 million during the year.

Group Assets and Asset Composition

The Group continues to record consistent asset growth, reflecting the ongoing investment in property, plant, and equipment (PPE) and other investments. The Group's total assets as at 31 March 2024 reported an increase of 41% to reach Rs. 29.7 billion, with the agriculture segment recording a growth of 41% in assets. Total capital expenditure for the year amounted to Rs. 738 million, mainly comprising investments in the new dairy farm.

The Group's asset composition remained relatively unchanged, with non-current assets accounting for 79% of total assets as of the end of 31 March 2024.

Asset Strength

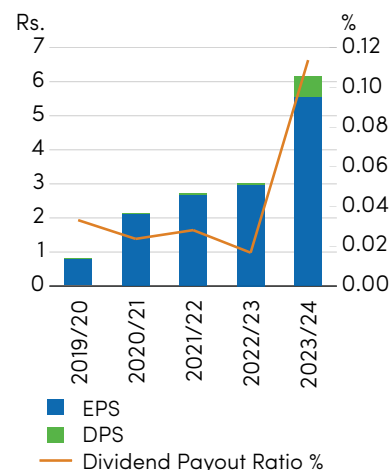


Funding Profile

The Group's total borrowings demonstrated an increase of 35% to reach Rs. 4,811 million (2022/23: Rs. 3,556 million). Debt-funded capacity expansions and working capital requirements that came into effect in recent years have led to an

increased exposure to borrowings. The total equity amounted to Rs. 21.8 billion (2022/23: Rs. 14.7 billion), accounting for 73% of the Group's total assets.

Shareholder Returns



Despite the turbulent operating environment, the Group's Earnings per Share increased by 86.5%, rising to Rs. 5.54 compared to Rs. 2.97 recorded in the preceding year. During the year, the Company distributed a first interim dividend of Rs. 0.63 per share, resulting in a total dividend payout of Rs. 251.99 million.

With a view to enhancing the liquidity of the share, the Group engaged in a share subdivision during the financial year. Accordingly, each ordinary share was split into ten shares, resulting in the total shares issued increasing to 399,980,000 million shares without changes to stated capital. The lowest share price recorded post-share subdivision during the year was Rs. 19.90. Before the subdivision, the highest share price recorded was Rs. 248.25. The last traded price on 31 March 2024 was Rs. 27.20.

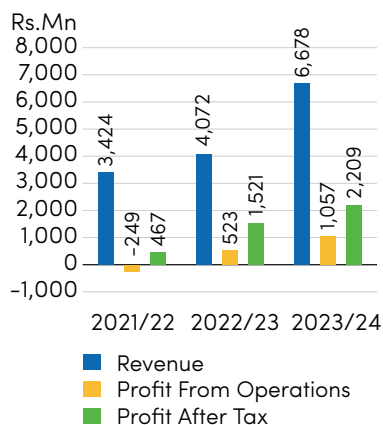
*Earnings per share, Dividend per share and related ratio, in all reporting periods were adjusted based on post sub-division of 10 shares for every one ordinary share held.

COMPANY PERFORMANCE 2024

Lanka Milk Foods (CWE) PLC

Lanka Milk Foods (CWE) PLC (LMF) operates within the food and beverages sector, with a primary focus on importing, packaging, marketing, and distributing full cream milk powder. In the past year, LMF's powdered milk segment achieved impressive growth, with profits rising from Rs. 1,521 million to Rs. 2,209 million, while recording a notable revenue increase of 64%, and dividend received from Melstacorp and DCSL of Rs. 1,512 million.

Lanka Milk Foods (CWE) PLC Revenue and Profit



Lanka Dairies Limited

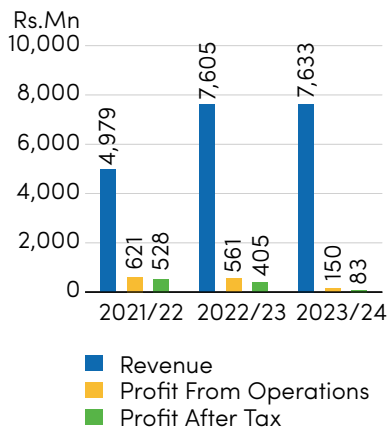
Founded in 1996 as a wholly owned subsidiary of LMF, Lanka Dairies Limited (LDL) specialises in the production and packaging of UHT treated fresh milk, flavoured milk, and fruit juices, utilising Tetra Pak ® technology, and holds the reputation of pioneering this sustainable, state-of-the-art packaging in Sri Lanka.

During the financial year that concluded on March 31, 2024, the revenue of Lanka Dairies Limited remained largely unchanged, with a marginal growth recorded mainly due to the VAT impact in Q4 of FY 23/24. The Company's profit for the year reduced to Rs. 83 million, from the Rs. 405 million profits earned in the preceding year, driven by increased cost of production and increased selling and distribution expenses.

The escalating feed costs resulted in a corresponding rise in farm-gate milk prices, consequently

increasing the profitability price in dairy products. However, a concurrent decline in global FCMP prices facilitated increased milk powder imports at discounted rates, diverting consumer demand away from liquid milk. In response, the liquid milk sector offered further price reductions, leading to a rise in the company's sales and distribution expenses.

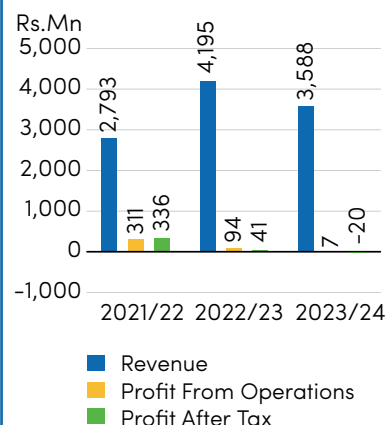
Lanka Dairies Limited Revenue and Profit



Ambewela Products (Private) Limited

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

Ambewela Products (Pvt) Ltd Revenue and Profit



The company's revenue declined to Rs. 3,588 million. A key factor contributing to this decrease was the imposition of Value Added Tax (VAT) on dairy products in the in Q4 of FY 23/24. This led to a significant reduction in consumer demand, resulting in lower sales revenue. Additionally, the restructuring of APL farms and the transfer of feed mill operations to UDL during the same period negatively impacted milk sales and revenue from feed mill activities.

COMPANY PERFORMANCE 2024

Ambewela Livestock Company Limited and Pattipola Livestock Company Limited

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

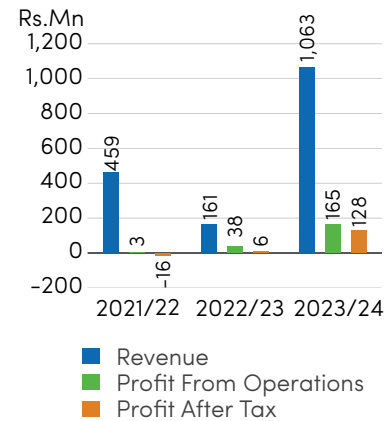
Maintaining the health and well-being of our herd is of the utmost importance to ensure we sustain our high rate of milk production. In order to achieve this objective, we supply the herd with premium-quality cattle feed, which incurred a significant expense during the period under review due to the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

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

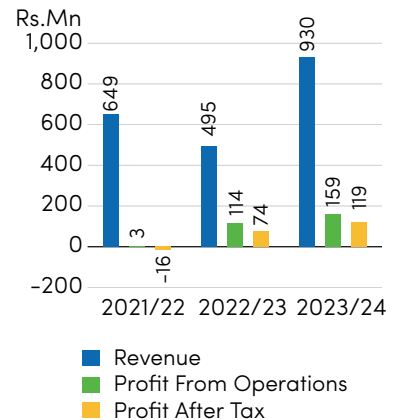
reaching performances of Rs. 160 million and Rs. 495 million, respectively. These results were primarily due to the shift in milk production to United Dairies Lanka (Private) Limited. Despite the decline in performance exhibited during the year, we remain committed to maintaining the highest standards and strive towards excellence in milk production across all our farms.

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

Ambewela Livestock Company Limited Revenue and Profit



Pattipola Livestock Company Limited Revenue and Profit



COMPANY PERFORMANCE 2024

United Dairies Lanka (Private) Limited

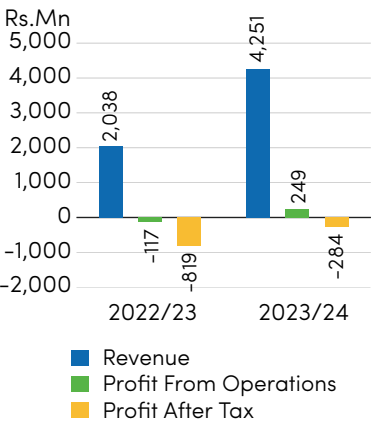
United Dairies Lanka (Pvt) Ltd was strategically developed to expand our herd and meet the anticipated surge in fresh milk demand, leading to a total investment of Rs. 4.8 billion. This ambitious venture includes cutting-edge cattle sheds and state-of-the-art milking parlours at both the Ambewela Farm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

per cow per day in Sri Lanka. Qualified veterinary surgeons currently reside on farms to ensure round-the-clock veterinary care.

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

During the period under review, the company generated a total revenue of Rs. 4.2 billion. Despite increased operating expenses, the company’s loss was reduced to Rs. 284 million, marking a significant improvement

United Dairies Lanka (Pvt) Limited Revenue and Profit



compared to the Rs. 819 million loss in the previous year. The reduction in interest rates implemented in the second half of FY 2023/24 provided additional relief, contributing to the overall improvement in UDL’s financial performance.

Indo Lanka Exports (Private) Limited

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



LOOKING AHEAD

- Increasing profitability and revenue growth through targeted strategies and operational enhancements.
- Enhance shareholder value through prudent, farsighted strategies and strong investments.

Looking forward, LMF is committed to optimising financial performance and resource allocation to drive sustainable growth and enhance shareholder value. By implementing robust risk management strategies and investing strategically, we aim to strengthen our financial position and create long-term value for all stakeholders. A strong focus on cost control and revenue diversification will be pivotal in achieving these objectives.



HUMAN CAPITAL



STAKEHOLDERS



Employees

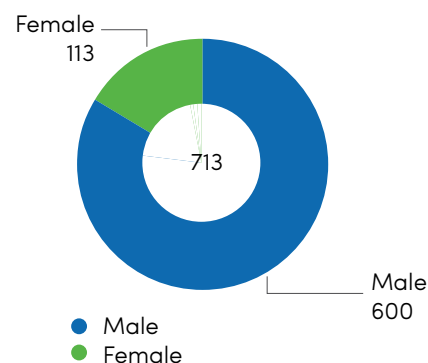


Community

Our employees are the cornerstone of our success. This section highlights our investment in our people through strategies focused on talent development, employee well-being, diversity, equity, and inclusion. We believe that a thriving workforce, characterised by a strong sense of purpose and belonging, is essential to driving innovation, enhancing productivity, and building a sustainable future.

At Lanka Milk Foods, we strive to create a work environment that emphasises employee satisfaction and professional development. We recognise that our team is the foundation of our success, and we value their contribution towards organisational development and progress. We remain committed to fostering a diverse and inclusive workplace in which all members are offered an opportunity to contribute and advance.

Gender Distribution in Workforce



As of March 2024, our total workforce comprised 713 individuals, with 8% of them employed on a contract basis. Currently, the Group maintains a 16% female representation in our workforce. The majority of our employees are engaged in factory and farm work, resulting in a gender ratio of approximately 4:1 (male: female) due to the labour-intensive nature of the roles in our farmland and factory operations.



Lanka Milk Foods offers competitive compensation and clear paths for promotion. We believe in rewarding hard work and dedication and appreciate our employees' loyalty.

No of employees (Group)

	2024		2023	
	Male	Female	Male	Female
Executives	85	11	89	7
Non-Executives	390	69	405	69
Casual/Check Roll	125	33	105	49
	600	113	599	125
	713		724	

MANAGEMENT DISCUSSION & ANALYSIS

Building a Skilled Workforce



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

Employee
Well-being

Work
Culture

Workplace Health
and Safety

Employee
Engagement

Gender Parity

Employee Well-being



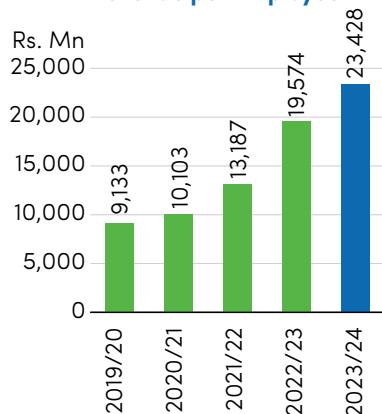
At Lanka Milk Foods, we prioritise compliance with labour regulations to ensure a dedicated workforce. Cleanliness is essential, and employees are expected to maintain workplace standards for productivity and orderliness. Our employee guidelines promote equal and attainable health and hygiene standards.

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

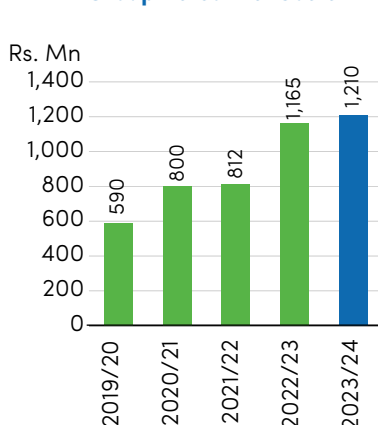
We uphold labour regulations and prioritise the well-being of our female employees in our factories and farms. Fair treatment and welfare supervision are integral to our practices. We adhere to industry-standard safety protocols for employee meals and cleanliness.

Encouraging healthy lifestyles among our employees is paramount for a productive and content workforce. We support mental and physical well-being through indoor recreational activities, and funding for external recreational pursuits.

Revenue per Employee



Group Personnel Costs



EMPLOYEE WELL-BEING AND BENEFITS

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

Excerpt from Note 8.1 to the Financial Statements – Personnel Costs

	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Personnel Costs				
Defined Contribution Plan Costs – EPF and ETF	73,561	71,656	29,585	29,585
Defined Benefit Plan Cost – Retirement Benefit Obligation	45,242	42,056	15,879	15,879
Other Staff Costs	1,091,247	1,051,702	386,306	386,306
	1,210,050	1,165,414	431,770	431,770
Total Numbers of Employees as at Year End	713	724	218	225
Average cost per employee	1,697	1,610	1,981	1,919

Work Culture

We emphasise the importance of continuous learning and skill development for our employees. We provide various training opportunities to enhance their competencies and abilities, thereby enabling them to advance in their careers. The Group is dedicated to investing in technical, sales, and marketing training programmes, fostering a culture of mentorship led by our experienced senior management team.



Workplace Health and Safety

The Group places a strong emphasis on employee safety and well-being, aiming for a workplace that is free from incidents and injuries. With machinery and laboratory-based operations, worker health and safety are paramount, and comprehensive measures are in place to prevent accidents and mitigate risks. Employees are trained on safety protocols and provided with necessary safety gear to ensure compliance with high cleanliness and safety standards. Maintaining cleanliness is a top priority at all operational levels, ensuring the quality and safety of our products. The Group remains committed to creating a safe and healthy working environment for all employees.

Employee Engagement

Lanka Milk Foods prioritises employee safety and well-being across its operations. Through local recruitment, the company positively impacts the surrounding communities by providing employment opportunities for local youth, reducing the need for migration to urban areas. The Group values its personnel, many of whom hail from rural towns and villages, and offers a comprehensive range of employee benefits that promote work-life balance and foster a sense of peace and cooperation among the staff.



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



MANAGEMENT DISCUSSION & ANALYSIS



Gender Parity

Gender equality is a fundamental human right and a prerequisite for a just and equitable society. We recognise the persistent barriers faced by women in achieving their full potential and are committed to fostering a workplace where all individuals have equal opportunities for advancement. By empowering women, we believe we can unlock new perspectives, drive innovation, and contribute to a more prosperous future.



Our initiatives focus on fostering a culture of respect, diversity, and equality, ensuring that women are represented at all levels of the organisation.

Female Representation



At Board Level	13%	88%
At Senior Management Level	18%	82%
At Executive Level	11%	89%

Our Approach

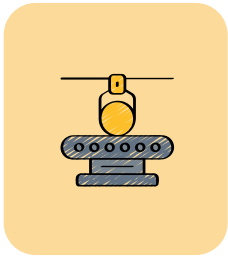
- Using gender-neutral language in job descriptions and job postings and building diverse interview panels.
- Enforcing equal opportunities in hiring, promotion, and compensation.
- Ensuring fair treatment and equal access to roles for all employees.
- Fostering a workplace where everyone feels valued.
- Identifying and developing female talent for leadership positions.
- Raising awareness of unconscious biases.
- Supporting employee well-being, including mental health.
- Providing 84 days of fully paid maternity leave.
- Establishing equal pay for equal work, with identical starting salaries for both men and women.
- Extending a comprehensive healthcare coverage for all employees and their dependants.



LOOKING AHEAD

- Empower and develop high-performing teams
- Foster a culture of collaboration and innovation

LMF prioritises fostering a high-performance culture centred around employee growth, well-being, and development. Our focus lies in attracting top talent, providing opportunities for skill enhancement, and creating a supportive work environment. We are committed to ensuring equal opportunities for all, including addressing pay equity and gender disparities. By investing in our people, we aim to build a capable and motivated workforce that drives the organisation forward.



MANUFACTURED CAPITAL



STAKEHOLDERS



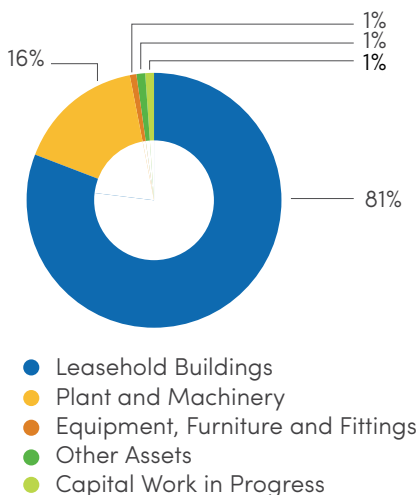
Customers



Investors

Lanka Milk Foods has long leveraged the efficient utilisation of its manufactured capital to maintain its leadership position in the market. The Group's manufactured capital encompasses its physical resources such as its property, plant, and equipment, which plays a pivotal role in achieving high levels of innovation and adaptability while accelerating the introduction of new products to the market. The capabilities and capacity developed through our manufactured capital, coupled with advanced technologies, enhance our ability to utilise our resources responsibly, thereby leading to improved efficiency and sustainability.

Furthermore, the expansion of our manufactured capital directly correlates to our contribution to national infrastructure and development. With each passing year, we make significant strides towards achieving our goal of national milk production self-sufficiency. By fostering value-sharing initiatives within communities, we drive national growth and solidify our position in the domestic market. Through these efforts, we are actively shaping a sustainable and prosperous future for the dairy industry and the entire nation.



The valuation of our manufactured capital at the conclusion of the reviewed financial year ended 31 March 2024 reflects our investments in enhancing our physical resources. These include state-of-the-art production facilities, advanced machinery, and cutting-edge technologies that enable us to maintain our stance as a leader in the industry. The continuous expansion and improvement of our manufactured capital have not merely bolstered our operational efficiency but have also contributed to the overall growth and development of the dairy sector and fostered economic progress and sustainability.

Our physical infrastructure, technology, and assets are essential enablers of our business operations. This section provides insights into our investments in these areas, emphasising our focus on efficiency, innovation, and sustainability. We are committed to optimising the utilisation of our manufactured capital while minimising its environmental impact and ensuring its alignment with our overall business strategy. By managing our manufactured capital effectively, we aim to enhance our operational resilience and drive long-term value creation.



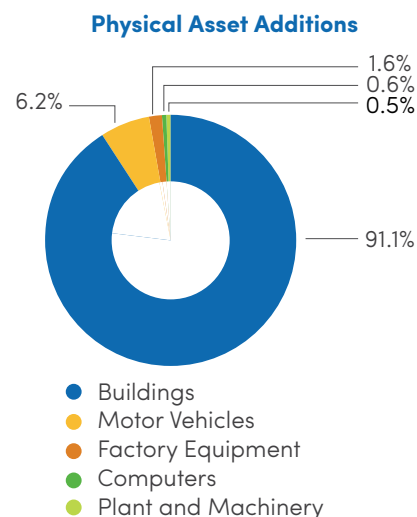
Ambewela Products (Pvt) Ltd was awarded the Gold Award for National Industry Excellence in 2023. This prestigious recognition, bestowed by the Industrial Development Board of the Ministry of Industries, celebrated the company's significant contributions to the Sri Lankan dairy industry. Ambewela was awarded in the category of Large-scale corporations in the Milk and Milk Related Sector.

MANAGEMENT DISCUSSION & ANALYSIS

	Gross Carrying Value FY-23/24 (Rs. 000)	Net Carrying Value FY-23/24 (Rs. 000)
Leasehold Buildings	5,251,592	4,511,384
Plant and Machinery	3,111,031	866,820
Equipment, Furniture and Fittings	349,415	48,915
Other Assets	463,650	72,307
	9,175,688	5,499,426
Capital Work in Progress		53,544

For detailed information on leasehold properties as of March 31, 2024, we invite you to refer to Note 12.1 in the Financial Statements on Property, Plant, and Equipment. This note provides comprehensive details on the specific leasehold properties held by the company, including their valuation and any relevant disclosures, and serves as a valuable resource for further understanding our assets and their contribution to the overall financial position of the organisation.

	Extent (Hectares)	Building (Square feet)	No of Buildings	Cost of the Building Rs '000
Welisara	3.28	140,800	3	434,416
Ambewela	458.47		139	4,817,176
Capital Work in Progress		53,544		5,251,592



Physical Asset Additions

The organisation invested a total of Rs. 726.6 Mn in terms of physical asset additions during the year. The investment was largely directed towards developing leasehold buildings comprising cattle sheds and other facilities, representing approximately 91% of the overall investment. 6.2% was directed towards the purchase of motor vehicles to drive operational efficiency and support transportation needs. Additionally, the organisation invested Rs. 11.5 Mn towards upgrading factory equipment, thereby expanding its capacity, and enhancing its processes through technology enhancement. Rs. 4.6 Mn was invested in digitisation and

hardware to support automation and improve organisational efficiency, while Rs. 3.5 Mn was dedicated towards plant and machinery that is slated to drive increased energy efficiency, expand our capacity, and enhance our technological capabilities.

Enhancing Dairy Farm Capacities: United Dairies Lanka's Expansion

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

To ensure the utmost comfort for our cows, we have implemented cutting-edge dairy management techniques, provided premium feed, and delivered specialised veterinary care. These measures are designed to maximise milk output, with a targeted increase of up to 35 litres per cow per day. The Ambewela cattle farm successfully commenced commercial operations in April 2022, while the Pattipola farm also began operations in September 2022, as per the revised plan.



President Ranil Wickremesinghe visited the Ambewela Dairy Farm during the year to assess its progress and modernisation. During the visit, he interacted with the staff, reviewed new initiatives, and emphasised the importance of the farm's contribution to the national economy. The General Manager – Ambewela Farms highlighted the farm's extensive modernisation efforts and state-of-the-art infrastructure and outlined its overarching goal of achieving higher milk production. The President's support for the farm's development and the increase in tourist arrivals due to economic stability were also noted. The farm has also opened its doors to facilitate research and learning opportunities for students and has initiated special programmes for tourists to enhance their experience.

Pioneering Sustainable Packaging for a Fresh and Wholesome Dairy Supply

In order to deliver safe, hygienic and wholesome food items to the health-focused customer, the Corporation

works closely with Tetra Pak®, the world's leading food processing and packaging solutions company. We are pleased to have been the first UHT manufacturer in Sri Lanka to implement this world-renowned technology, and continue to uphold these standards across our diverse product range.

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

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



LOOKING AHEAD

- Embrace technology to enhance productivity and efficiency
- Engaging in continuous improvement

To drive operational excellence, LMF will further invest in technological advancements, infrastructure upgrades, process optimisation, and robust data management capabilities. By streamlining operations and leveraging digital solutions, we aim to enhance efficiency and productivity across our operations and create stronger outcomes for our stakeholders.



INTELLECTUAL CAPITAL

Relevant SDGs:



STAKEHOLDERS



Employees



Customers

Innovation, creativity, and knowledge are the driving forces behind our business' success. This section highlights our intellectual property, research and development initiatives, and efforts to foster a culture of learning and continuous improvement. We believe that by investing in our intellectual capital, we can develop innovative solutions, enhance our competitive advantage, and create long-term value for all stakeholders.

An organisation's intellectual capital plays a crucial role in driving revenue and maintaining a competitive advantage. At Lanka Milk Foods, we recognise the value of our intellectual capital, which comprises the collective strengths derived from our systems, processes, and knowledge. As a result, we invest in enhancing our intellectual capital base through varied initiatives surrounding research and development, innovation, knowledge development, and external partnerships. These are instrumental in shaping our unique positioning and capabilities, while enhancing the value delivered to our stakeholders through improved returns and a commitment to excellence and quality.

We are committed to continuously enhancing and expanding our intellectual capital as a forward-thinking organisation. By doing so, we aim to achieve sustainable growth and create long-term value across all our business units.

Harnessing
Knowledge &
Expertise

Trusted Brands:
Delivering Excellence
and Value

Innovation and
Technological
Advancement

Harnessing Knowledge & Expertise: Advancing through Experience and Talent

As a pioneer in the local dairy industry, our industry-specific experience and knowledge span over 60 years. To safeguard the quality of our products, we recognise the utmost importance of livestock management and their well-being. Our dairy companies have taken proactive measures by enlisting the expertise of a specialised nutritionist. Through their efforts, we develop the most nutritional feed additives for our cattle. They are supported by a dedicated team of resident veterinary surgeons who provide constant care and ensure the availability of veterinary services at every stage.

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

Trusted Brands: Delivering Excellence and Value

Our Group's renowned brands are the cornerstone of our business, providing us with a competitive edge and a solid reputation for trust and quality. With a

rich history that encompasses over six decades, our well-known brands such as Lakspray and Ambewela, have captured the hearts of consumers across the island, offering a diverse range of flavourful and wholesome products.

By leveraging the strength of our trusted brands, we continue to drive growth and create value, supported by our strategic marketing efforts and a commitment to customer satisfaction. Our recent revamping of our pack designs reflects our dedication to meeting evolving customer preferences and delivering a compelling value proposition to our consumers.

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

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



Lakspray

Lakspray is a beloved heritage milk powder brand in Sri Lanka. With its creamy taste and nutritional value, it has been a cherished part of Sri Lankan households for over six decades.



Ambewela

Ambewela, a premium Sri Lankan dairy brand, was founded in 2004 with a focus on quality and local development. Our full-cream liquid milk, produced under strict hygienic conditions, is known for its purity and taste. In recognition of its growing traction and high degree of consumer trust, Ambewela expanded its product range in 2009 to include non-fat milk, flavoured milk, cheese, and yogurt. Ambewela remains a popular choice among parents seeking nutritious dairy products for their children.



Daily

Daily, a Sri Lankan beverage brand, was the first milk product in the country to use UHT packaging in 1996. Made from premium quality milk from Ambewela Farms, Daily comes in various flavours and pack sizes to cater to diverse preferences. It has gained popularity in Sri Lanka and is also currently exported to Maldives.



MyJuicee

MyJuicee is a fruit drink brand that is both refreshing and nutritious, offering a range of flavours such as apple, mango, mixed fruit, and orange, made using premium quality fruit pulps and concentrates. Available in convenient pack sizes, the brand's balance between taste and nutrition has remained popular among the young adult market.



Dano

Dano Full Cream Milk is a natural, creamy, and nutritious milk powder made from pure cow's milk. Produced by Arla Foods, a renowned dairy cooperative known for its commitment to quality, Dano offers a rich and satisfying taste.

Innovation and Technological Advancement: Driving Excellence in Dairy Manufacturing

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

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

We have implemented digitally controlled milking parlours that accurately record each cow's milk

quantity and identify any health issues such as mastitis or early lactation. This enables us to divert and collect such milk separately, thereby ensuring the highest quality standards. Our slurry processing system efficiently separates the dry matter from the liquid dispersed over the farm fields. The outcome is then utilised as bio-fertilizer, denoting the Group's commitment towards sustainable practices and circular economies.

As a Group, we are committed to delivering the best to our loyal customers by incorporating technology and innovation in a sustainable manner. We understand the importance of staying relevant and progressive in the ever-changing market, and our investment in R&D and advanced manufacturing processes reflect our dedication to providing high-quality dairy products that meet the evolving needs of our consumers.



LOOKING AHEAD

LMF is committed to fostering a culture of innovation and knowledge sharing. By investing in employee development, encouraging creativity, and implementing effective knowledge management systems, we aim to generate new ideas, improve processes, and strengthen our brand. We will continue to safeguard our proprietary information and maintain our competitive advantages in order to sustain our market position, and drive greater growth in the years ahead.



SOCIAL & RELATIONSHIP CAPITAL



Fostering Meaningful Connections

Lanka Milk Foods prioritises the cultivation of strong and lasting relationships with our customers, suppliers, and the broader community. These partnerships constitute the cornerstone of our social and relationship capital, significantly contributing to our success as a people-centric organisation. We recognise that our achievements extend beyond operational excellence and are deeply intertwined with the bonds we forge with our stakeholders.

Collaboration with suppliers is paramount to a sustainable supply chain. In these partnerships, we uphold principles of mutual respect, transparency, and shared objectives. By working in tandem, we secure a consistent supply of superior ingredients, thereby delivering exceptional product quality. Together, we aspire to achieve growth, innovation, and mutual prosperity, solidifying the foundation of our supply ecosystem.

Beyond our immediate stakeholders, we also acknowledge the importance of active community engagement. As a socially responsible entity, we support local endeavours, champion sustainable practices, and invest in community development. We aim to create a lasting positive impact on the lives of those we serve, strengthening our bond with the community.

We firmly believe that social and relationship capital is fundamental to our identity and long-term success. Our commitment lies in cultivating authentic partnerships that drive performance, uphold our reputation as a socially responsible brand, and generate shared value. By harnessing the power of human connection, we strive to build a sustainable and thriving ecosystem that benefits our customers, suppliers, and the community.



Strong relationships with our stakeholders are fundamental to our long-term success. This section explores our engagement with communities, customers, suppliers, and other partners. We believe in building trust, fostering collaboration, and creating shared value through open dialogue and transparent communication. By investing in our social capital, we contribute to the overall well-being of the communities in which we operate and strengthen our position as a responsible corporate citizen.

Customer Focus
Relevant SDGs:



At Lanka Milk Foods, we deeply value our customers and engage with them to gain valuable insights into their needs, preferences, and feedback. Through these interactions, we continually enhance our products and services not only to meet but also to exceed their expectations. By prioritising personalised experiences, fostering open lines of communication, and upholding a steadfast commitment to quality, we cultivate enduring trust and loyalty with our esteemed customers.

Quality and product responsibility are at the forefront of our customer-centric approach. We understand that our consumers expect nothing but the finest quality products, and we are dedicated to meeting and surpassing industry best practices and standards. With our state-of-the-art, modern manufacturing facilities, we have

the capability to produce goods that adhere to the highest quality benchmarks, following world-class dairy standards and practices. Our stringent quality control processes and comprehensive quality management system are aligned with industry guidelines and have been certified under the ISO 22000 Food Safety Management System since 2018.

By integrating quality and responsibility into every aspect of our operations, we ensure that our customers receive products of exceptional quality, safety, and sustainability. We continuously strive to improve our manufacturing processes, embracing the latest advancements and innovations in the industry to maintain the highest standards of excellence. Through our unwavering commitment to quality, we not only meet regulatory requirements but also go above and beyond the call of duty to safeguard the well-being of our customers.



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

Quality Assurance and Product Responsibility

We are dedicated to achieving excellence by continually enhancing our processes and systems to meet the ever-changing needs of customers. Our focus on constant improvement ensures that we not only meet, but anticipate customer expectations, thereby delivering exceptional results and lasting satisfaction.



We are fully committed to:

- Meeting the requirements and expectations of our consumers and delivering premium quality and nutritious products and support services.
- Maintaining the highest product standards through rigorous quality control and hygienic practices.
- Utilising state-of-the-art technology and processes to enhance quality while maintaining competitive pricing.
- Adopt and continuously update the food safety management systems and HACCP protocols to ensure the delivery of hygienically sound and safe food products.
- Comply with applicable standards and regulatory requirements as a responsible cooperate citizen for consumer and environmental protection
- Implement processes for clean production, sustainability, and optimal resource utilization across all operations.
- To ensure optimal cleanliness, we manage our water treatment, water purification, and sanitation services.
- To provide all facilities, resources, necessary training for our employees to create a safe, hygienically sound and friendly working environment.

Our unwavering dedication to quality is evident in the selection of the finest natural and nature-identical ingredients, including flavours, fruit concentrates, and fruit pulps from reputed suppliers with development of long-term alliances in order to improve supplier chain performance.

We are pioneers in Tetra Pak aseptic processing technology in the island, which guarantees the purity, freshness, and quality of our product portfolio. We uphold rigorous quality certifications and standards, and conduct thorough taste tests and consumer research before launching any product to ensure. Furthermore, our products are free from preservatives, and artificial flavours.

Our commitment to animal welfare is reflected in our dairy farming practices. We raise Ayrshire and Friesian cows in accordance with international standards, with diligent oversight from experienced veterinarians and agricultural professionals on our own farms. Ambewela Milk is a premium single-origin cow milk, sourced exclusively from one dedicated farm. This ensures a distinct and consistent flavour profile, as well as unparalleled quality. With the added benefit of traceability to its specific source, you can enjoy a truly authentic and transparent dairy experience.

In line with our responsibility towards safeguarding public health, Ambewela non-fat products are crafted to help combat the rise in non-communicable diseases by providing the nutritional benefits of milk without the fat. Through the promotion of healthier dairy allied products, we are passionate to fostering a healthier future for generations to come in order to build a more resilient nation.

MANAGEMENT DISCUSSION & ANALYSIS

Product Responsibility Systems & Regulations Complied to:

- ISO 22000:2018 – integrating components of Good Manufacturing Practices (GMP), Hazard Analysis Critical Control Points (HACCP) and other advanced preventive measures
- Consumer Affairs Authority Act No. 9 of 2003 and amendments
- Food Act No. 26 of 1980 and amendments
- Food Labelling and Advertising Regulations of 2005 and related gazettes
- Applicable Standards of Sri Lanka Standards Institution (SLS)
- Central Environmental Authority Act No.47 of 1980 and amendments

Marketing
Communication

Product
Labelling

Customer Complaint
Handling

Marketing Communication

LMF is committed to open and honest communication with all stakeholders. Our marketing efforts are built on transparency and integrity, with a strong focus on nurturing high levels of trust through product quality. To effectively reach both our target audience and the broader market, we employed a mix of Above-The-Line (ATL) and Below-The-Line (BTL) advertising, including television commercials, point-of-sale materials, and digital platforms.



Digital Presence and Engagement with Our Audience

	Ambewela	Daily
Followers	88.4K	65.4K
Reach (Monthly Avg.)	370K	182K

Our approval process ensures that all marketing materials align with LMF's values and comply with relevant regulations. No instances of non-compliance were reported.





Product Labelling

We adhere to all regulatory requirements for product design, marketing, and labelling. Value-added products undergo careful compliance checks, including clear labelling in all required languages for content, ingredient lists, expiry dates, maximum retail price (MRP), batch codes, nutritional data, including traffic light colour coding for Sugar, Salt and Fat, and colour coding for sugar levels of milk-based products and fruit juices.

We maintain ongoing collaboration between marketing and quality assurance to ensure consistent adherence to regulations. No labelling non-compliance incidents were reported in the 2023/24 financial year.

Customer Complaint Handling

Customer complaints are handled in a manner that ensures a 100% response rate. Complaints are directed to the relevant quality assurance department, where we seek to address the issue and achieve a resolution. Additionally, we receive customer feedback and improvement suggestions directly.

Supplier Relationships



We are committed to responsible sourcing and partnering with suppliers who share our vision for delivering exceptional products. Our rigorous supplier selection process emphasises quality, cost-efficiency, and adherence to ethical and environmental standards. Through ongoing collaboration, including regular site visits, we foster transparent relationships built on trust and mutual benefit. This approach ensures a sustainable supply chain that aligns with our corporate values.

Community Engagement



We believe in fostering sustainable communities through a harmonious blend of environmental health, economic prosperity, and social well-being. To this end, we are deeply committed to uplifting and empowering the communities where we operate.

By actively engaging with local residents and supporting their religious, cultural, and social initiatives, we aim to build strong and lasting relationships. We are particularly focused on youth development, offering educational programs on nutrition and well-being through factory tours and structured learning experiences. These initiatives align with the nation's goal of achieving self-sufficiency in dairy production.

Our community involvement extends beyond education. We contribute to social, health, and educational causes while transforming our farms into practical learning hubs for aspiring agriculturists. We are proud of our role in delivering value to the community and are committed to creating a positive and enduring impact.

MANAGEMENT DISCUSSION & ANALYSIS

Driving Positive Change: Our Commitment to Community and CSR Practices

Nurturing
Young Dairy
Enthusiasts

Promoting
Religious Harmony
and Community
Welfare

Community
Welfare and
Education

Talent
Development
and Knowledge
Transfer

Nurturing Young Dairy Enthusiasts

To inspire and educate the next generation of Sri Lanka's dairy industry, Lanka Milk Foods opens the doors of its state-of-the-art milk powder and liquid milk processing facilities in Welisara to school children and university students. These educational excursions offered young minds a unique opportunity to witness first-hand the intricate processes of transforming fresh milk into the beloved dairy products millions enjoy. Through guided tours and interactive sessions, students gained valuable insights into the dairy industry, from the importance of hygiene and quality control to technological advancements. Such initiatives are pivotal in cultivating a deeper understanding and appreciation for the dairy sector among Sri Lanka's youth.

Since mid-August 2023 to the end of the financial year on March 31, 2024, we have hosted over 5,259 school children for educational factory tours, which included informative sessions and refreshments.



Promoting Religious Harmony and Community Welfare

LMF demonstrates its commitment to community welfare through support for religious institutions. The Company assists in places of worship across various faiths. As part of these efforts, free milk is distributed to devotees during significant religious occasions.



The Group is actively working towards enhancing its community development initiatives through more targeted engagement efforts that would potentially generate a tangible impact on its beneficiaries. The organisation is striving to improve its ability to track and measure the scale of community investments and their relevant impact on society, in order to determine areas for improvement and drive enhanced outcomes for its stakeholders.

Community Welfare and Education

The Company actively supports the well-being of marginalised communities through various initiatives. Regular donations of milk powder are provided to welfare homes for the elderly and disadvantaged, ensuring essential nutritional support. Furthermore, the company offers free entrance and free products to underprivileged children who want to visit our dairy farms, fostering education and awareness about the dairy industry. These programmes align with the Company's commitment to social responsibility and community development.

Talent Development and Knowledge Transfer

Recognising the importance of nurturing future industry leaders, the Company provides valuable training opportunities at its Ambewela farms. Agriculture students and veterinary undergraduates are offered hands-on experience in dairy farming, contributing to the development of a skilled workforce for the dairy sector. This initiative reinforces the Company's commitment to education and knowledge transfer.



LOOKING AHEAD

- Focusing on integrating sustainable practices across operations.
- Establishing more projects that drive social responsibility.

Building strong and lasting relationships with customers, suppliers, and the community is central to LMF's success. We will prioritise customer satisfaction, foster collaborative partnerships with suppliers, actively engage in community development initiatives, and maintain open communication with all stakeholders.



NATURAL CAPITAL

Relevant SDGs:



STAKEHOLDERS



Customers



Community

Our natural capital is the bedrock upon which our business is built and operates. This section delves into our commitment to environmental stewardship, encompassing our efforts to minimise our ecological footprint, conserve precious resources, and foster biodiversity. We recognise the intricate interdependence between our operations and the natural world and are dedicated to working in harmony with it.

We are honoured to receive the merit award for the large-scale animal farming category at the Presidential Environmental Awards 2024 as a testament to our unwavering commitment to environmental conservation.



Grounded in natural goodness, we understand that our operations are intrinsically linked to the environment. As stewards of our farmlands, we are committed to sustainable dairy farming that aligns with global best practices. Recognising the increasing consumer demand for environmentally friendly products, we have adopted sustainable agricultural methods while upholding the highest standards of dairy farming.

We are committed to responsibly utilizing natural resources and have established a robust water treatment plant to safeguard the environment from potential pollution resulting from our operations.



The group focuses on using efficient technologies and processes to manage waste from manufacturing operations. Responsible waste disposal practices are in place, and all waste is managed according to high-quality standards before being released into

the environment. The company adheres to environmental regulations and prioritises sustainable practices in packaging operations. The facility includes advanced water effluent treatment to support water recycling and conservation. The company is committed to protecting the environment through waste management and creating a sustainable future for all operations.

Building a Sustainable Future: Our Commitment to Environmental Stewardship

Sustainable Practices at our Factories



Water Management



Waste Management



Clean Production



Employee Awareness



Water Management

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

MANAGEMENT DISCUSSION & ANALYSIS



Waste Management

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

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



Clean Production

Our factories adhere to stringent environmental regulations, minimising pollution and emissions. We continuously explore cleaner production methods and technologies.



Employee Awareness:

We foster a culture of environmental responsibility among employees through training and awareness programs.

Sustainable Practices at Our Farms



Feed Optimisation



Feed Optimisation

Optimal feed utilisation is a cornerstone of sustainable dairy farming at Ambewela Farms. By employing precision feeding, we tailor feed rations to individual cow needs, maximising milk production while minimising feed waste. Regular feed quality assessments and the incorporation of feed additives enhance nutrient absorption and overall cow health. Efficient feed storage and distribution practices further contribute to resource optimisation.

Ambewela Farms has implemented a robust cow monitoring system to refine our precision feeding approach. We gain valuable insights into each animal's health and nutritional needs by tracking individual cow performance metrics such as milk yield, milk components, body condition scores, and activity levels. This data-driven approach allows us to adjust feed rations in real-time, ensuring optimal nutrition and maximising milk production. Additionally, the early detection of health issues through behaviour analysis and activity monitoring enables timely interventions, thereby improving animal welfare and reducing economic losses.



Animal Welfare



Animal Welfare

At Amewela Dairy Farms, animal welfare is an integral part of sustainable dairy farming. Providing our cows with clean, comfortable, and well-ventilated housing with ample space for movement is essential for their physical and mental well-being. A balanced diet that meets the nutritional needs of each cow is crucial for optimal health and milk production. Preventive healthcare programmes including vaccinations and regular health checks help to maintain our herd health and reduce the use of antibiotics. Allowing cows to exhibit natural behaviours, such as grazing and social interaction, enhances their overall well-being and positively impacts milk production. Music is played in our cattle sheds to enhance the well-being of the cattle.



Water Management



Sustainable Agriculture

Our Commitment to Environmental Stewardship at Ambewela Farms

Ambewela Farms is committed to environmental sustainability. To minimise our ecological footprint, we have implemented several eco-friendly practices including robust fencing safeguards our crops and livestock from wildlife while preserving natural habitats. The strategic placement of garbage bins promotes cleanliness and responsible waste management. Vegetation belts enhance aesthetics, provide wildlife corridors, and prevent soil erosion.

Our pasture management ensures optimal grass growth, supporting animal nutrition and soil health. We transform cowshed waste into organic fertiliser, nourishing our fields and reducing waste. Surplus manure is sold to external plantations, generating additional income while promoting circular economy principles. These initiatives underscore our dedication to balancing agricultural productivity with environmental stewardship.



Water Management

Maintaining high water quality is essential to protect animal health and milk quality. Implementing water-saving technologies such as rainwater harvesting and efficient irrigation systems can significantly reduce water consumption. The proper treatment of wastewater is crucial to prevent pollution and protect water resources, while consistent access to fresh water is essential for cow comfort and milk production.



Sustainable Agriculture

Ambewela Farms, situated in Sri Lanka's central hill country, prioritises sustainable farming practices. By cultivating feed crops on-site, we reduce our environmental footprint, enhance soil health, and support biodiversity. Our region's climate is ideal for producing high-quality forage for our dairy herd.

Potatoes are a vital crop at Ambewela Farms. They contribute to food security, improve soil health, and reduce our reliance on imports. The farm's location and climate create optimal conditions for potato cultivation.

Through these practices, Ambewela Farms demonstrates a commitment to preserving the region's natural resources while ensuring agricultural productivity.



LOOKING AHEAD

- An increased focus on continuous improvement and circular economies
- Nurturing sustainable practices across the organisation
- Partnering with stakeholders to drive sustainable growth that benefits society and the surrounding community
- Enhance milk production efficiency

LMF is committed to minimising its environmental impact and operating harmoniously with nature. By prioritising sustainable practices across its operations, we aim to create a positive legacy for future generations.

Specific initiatives include enhancing animal welfare through improved cow comfort, living conditions and nutritional care, optimising resource utilisation through water and energy conservation, and implementing waste management strategies to minimise our ecological footprint. We are continuously exploring opportunities to reduce our carbon emissions and promote biodiversity within the areas in which we operate.





GOVERNANCE

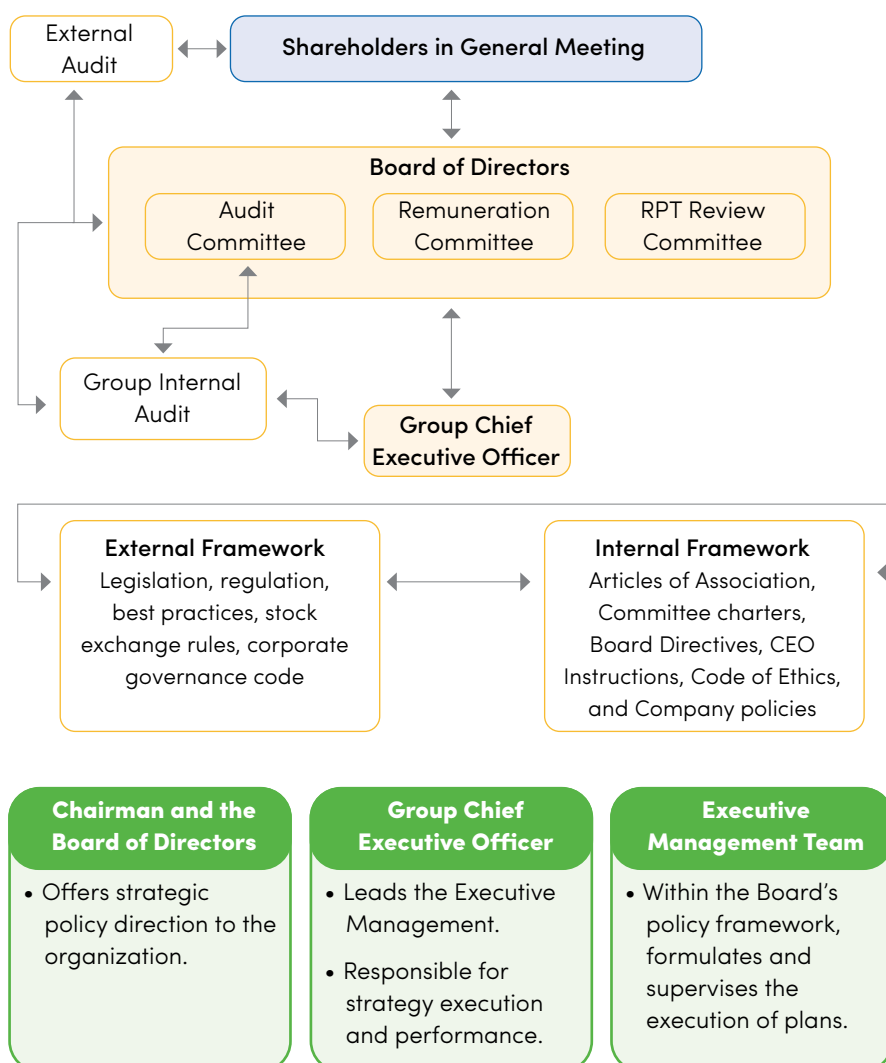
CORPORATE GOVERNANCE

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

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

This report describes the company's implementation and compliance with all mandatory provisions of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules (CSE), and the Sri Lanka Securities and Exchange Commission (SEC) Act No. 36 of 1987 (as amended). It also covers other provisions and rules applicable to the Group's businesses.

Governance Structure



Key legal enactments, codes and agreements complied with:

- Companies Act No. 07 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Continued Listing Requirements of the Colombo Stock Exchange
- Employees Provident Fund Act
- Employees Trust Fund Act
- Payment of Gratuity Act
- Shop and Office Employees
- 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
- Food Act

The Board of Directors

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

The Key Accountabilities of the Board of Directors

- Offer strategic guidance and monitor the implementation of strategies
- Set the values of the corporation and promote ethical conduct
- Formulate, review, and reassess the long-term mission, objectives, policies, and strategies
- Develop the organizational structure for the mission, goals, and policies of the enterprise

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

Board Composition

The Board comprises the following Directors.

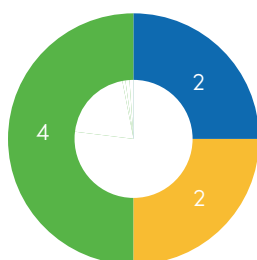
Name of the Director	Year Appointed	Status
Mr. D. H. S. Jayawardena	1991	Non- Independent Non-Executive Chairman
Mr. C. R. Jansz	1992	Executive Director
Mr. D. S. K. Amarasekera	2008	Independent Non-Executive Director
Dr. A. Shakthevale	2008	Independent Non-Executive Director
Mr. D. Hasitha Stassen Jayawardena	2016	Non- Independent Non-Executive Director
Ms. D. S. T. Jayawardena	2019	Executive Director
Mr. H. M. A. Jayasinghe (Appointed w.e.f.01.04.2024)	2024	Independent Non-Executive Director
Mr. J.T.M. Cooray (Appointed w.e.f.01.04.2024)	2024	Independent Non-Executive Director

Appointments

Mr. H. M. A. Jayasinghe and Mr. J.T.M. Cooray were appointed as Independent Non-Executive Directors with effect from 01st April 2024. Brief profiles of the Directors are given on the Board of Directors section of this report.

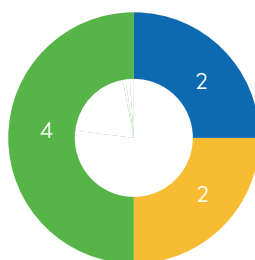
The Board of Directors' details as of 31.03.2024 are as follows.

Board Composition



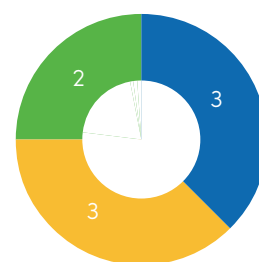
- Executive Directors
- Independent Non-Executive Directors
- Non-Independent Non-Executive Directors

Tenure of Service



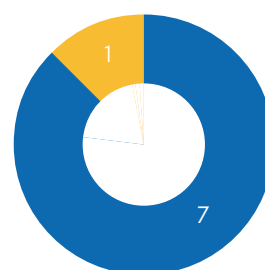
- Above 20 years
- 10-20 years
- Below 10 years

Age Composition



- Above 65
- Between 40-65
- Below 40

Gender Composition



- Male
- Female

Board Subcommittees

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

Audit Committee

The Audit Committee oversees the following areas.

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

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

The Audit Committee Report is given on page 85.

Remuneration Committee

The Committee assists the Board in determining a suitable remuneration package. Two independent non-executive directors are appointed to the Remuneration Committee. The aggregate remuneration paid to the Board of Directors is declared in Note 8 of the Annual Report. The two independent non-executive directors are not paid any remuneration.

The Remuneration Committee Report is given on page 87.

Related Party Transaction Review Committee

The Committee ensures, on behalf of the Board, that the Group's related party transactions comply with the SEC's Code of Best Practice on Related Party Transactions. The Committee comprises two independent non-executive directors and one non-independent non-executive director.

The Related Party Transaction Review Committee report is given on page 88.

Meetings

The Board Meetings for each subsidiary are held whenever they are required to review the Company's performance, including the Financial Statements, investment proposals, and any other important matters relating to the Group.

Name of the Director	Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee
Mr. D. H. S. Jayawardena	2/2			
Mr. C. R. Jansz	2/2			
Mr. D. S. K. Amarasekera	1/2	4/4	4/4	4/4
Dr. A. Shakthevale	2/2	4/4	4/4	4/4
Mr. D. Hasitha Stassen Jayawardena	2/2			4/4
Ms. D. S. T. Jayawardena	2/2			

Company Secretary

The Company Secretary is qualified to act in accordance with the provisions of the Companies Act No. 07 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 09, 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. Mr. H. M. A. Jayasinghe and Mr. J. T. M. Cooray were appointed w.e.f. 01st April 2024 as Independent Non-Executive Directors.

Independence of Directors

With effect from 01st October 2023, the Board of Directors has considered the amendments to Corporate Governance Rules of the Colombo Stock Exchange and has taken steps to implement the Independent criteria with effect from 01st October 2024.

The Board has determined that two Non-Executive Directors, Mr. D. S. K. Amarasekera and Dr. A. Shakthevale, have become ineligible to be considered as independent as per the criteria set out in the Listing Rules of the Colombo Stock Exchange. Accordingly, has appointed Mr. H. M. A. Jayasinghe and Mr. J. T. M. Cooray as Independent Non-Executive Directors of the Company w.e.f. 01st April 2024. Detailed resumes of each Director are given in the Board of Directors section of this Annual Report, from pages 22 to 25.

The Directors' interests in the affairs of the Company are explained on pages 147 to 150.

Disclosures

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

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the Inland Revenue Act No. 24 of 2017, the Company's Articles of Association, the Companies Act, and the CSE Listing Rules.

Internal Controls

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

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

Company Policies

The Company is complied with the Section 9 Colombo Stock Exchange Listing Rules Requirements on Company Policies.

- Policy on the matters relating to the Board of Directors
- Policy on Board Committees
- Policy on Corporate Governance, Nominations and Re-election

- Policy on Remuneration
- Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities
- Policy on Risk management and Internal controls
- Policy on Relations with Shareholders and Investors
- Policy on Environmental, Social and Governance Sustainability
- Policy on Control and Management of Company Assets and Shareholder Investments

- Policy on Corporate Disclosures
- Policy on Whistleblowing
- Policy on Anti-Bribery and Corruption

Future Company Assets

After reviewing the Financial Statements and Cash Flow of the Group, the Board of Directors is confident that the Group has adequate resources to continue its customary operations in the foreseeable future.

Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes and duties

have been paid by the Company. All contributions, levies, and taxes payable on behalf of the Company's employees and all other statutory duties as of the reporting date have also been paid on behalf of the Company.

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

Compliance with the Companies Act No. 07 of 2007

Section Ref.	Requirement	Compliance	Reference
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 89 to 92 of this Annual Report.
168 (1) (b)	Financial Statements of the Company and the Group for the accounting period completed and signed	Complied	Refer to Financial Statements on pages 100 to 160 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 89 to 92 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 89 to 92 of this Annual Report.
168 (1) (e)	Particulars of entries in the Interest Register made during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 89 to 92 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 89 to 92 of this Annual Report.
168 (1) (g)	The total amount of donations made by the Company and the Group during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 89 to 92 of this Annual Report.
168 (1) (h)	Directorate of the Company and the Group as at the end of the accounting period, along with the changes that occurred during the accounting period	Complied	Refer Annual Report of the Board of Directors on pages 89 to 92 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 89 to 92 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 89 to 92 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 89 to 92 of this Annual Report.

CORPORATE GOVERNANCE

Compliance with the Continuing Listing Requirements – Section 7.6 on the Content of Annual Report Issued by the Colombo Stock Exchange

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
7.6.(i)	Board of directors during the FY with profiles	Complied	Refer to Board of Directors section on pages 22-25 of this Annual Report
7.6.(ii)	Principal activities of the Entity and subsidiaries including any changes	Complied	Refer to Note 31 of the Financial Statements of this Annual Report
7.6.(iii)	Top 20 shareholders – number of shares and % of Voting and non-voting shares LKR or Foreign Currency denominated	Complied	Refer to Investor Information on pages 161-162 of this Annual Report
7.6.(iv)(a)	Public holding details for LKR denominated Shares <ul style="list-style-type: none"> • float adjusted market capitalization, • public holding percentage (%), • number of public shareholders • option The public holding percentage (%) in respect of non-voting ordinary Shares (where applicable).	Complied	Refer to Investor Information on pages 161-162 of this Annual Report
7.6.(iv)(b)	Public holding details for Foreign Currency denominated Shares <ul style="list-style-type: none"> • public holding percentage (%) • number of public shareholders 	Not Applicable	Not Applicable
7.6.(v)	Each Director's and Chief Executive Officer's shareholding in each class of shares LKR and Foreign Currency denominated (as applicable).	Complied	Refer to Investor Information on pages 161-162 of this Annual Report
7.6.(vi)	Material foreseeable risk factors of the Entity	Complied	Refer to Risk Management Report on pages 79 to 84 of this Annual Report
7.6.(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Complied	During the year under review, there were no material issues regarding employees and industrial relations.
7.6.(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Complied	Refer to Note 12 of the Financial Statements of this Annual Report
7.6.(ix)	Number of shares representing the Entity's stated capital.	Complied	Refer to Investor Information on page 161 to 162 of this Annual Report
7.6.(x)	Distribution schedule – Number of holders and % for each class as per the format in the rules.	Complied	Refer to Investor Information on page 161 to 162 of this Annual Report
7.6.(xi)	Ratios and market prices Equity <ul style="list-style-type: none"> • Dividend per share • Dividend pay out • Net asset value per share • Market value per share – High, Low and Closing Debt <ul style="list-style-type: none"> • Interest rate of comparable government security • Debt/equity ratio • Interest cover • Quick asset ratio • Debt Service Coverage Ratio (where applicable) • The market prices & yield during the year (ex-interest) – High, Low and last traded • Any changes in credit rating (for the Entity or any other instrument issued by the Entity), if applicable 	Complied	Refer to Investor Information on page 161 to 162 of this Annual Report

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
7.6.(xii)	Significant changes of entity and subsidiaries' fixed assets including substantial difference between market value and book value of lands.	Complied	Refer to Note 12 of the Financial Statements of this Annual Report
7.6.(xiii)	Details of funds raised via IPO and further issues	Not Applicable	The Company had no public issues, rights issues or private placements during the year. The Company carried out a share subdivision of 10 shares for each ordinary share held on 10th January 2024, without changing the Stated Capital of the Company.
7.6.(xiv)(a)	Details of Employee Share Option Schemes (ESOS)	Not Applicable	No Employee Share Option Schemes are available to the Company's directors or employees at this time.
7.6.(xiv)(b)	Details of Employee Share Purchase Schemes (ESPS)	Not Applicable	No Employee Share Purchase Schemes are available to the Company's directors or employees at this time.
7.6.(xv)	Corporate Governance Disclosures	Complied	Refer Corporate Governance Report on pages 66 to 78 of this Annual Report
7.6.(xvi)	Details of Investments in Related Party (RP) and due from RP - date of the transaction - name of the RP - relationship between the Entity and the RP - amount of the transaction and terms of the transaction - rationale for entering into the transaction	Complied	Refer to Note 35 of the Financial Statements of this Annual Report

Compliance with Section 9 on Corporate Governance Issued by the Colombo Stock Exchange

Section Ref.	Requirement	Compliance	Reference
9.1	Corporate Governance Rules		
9.1.1	A statement confirming the extent of compliance with the Corporate Governance Rules	01st October 2023	This table summarises the extent of compliance with Section 9 of the Colombo Stock Exchange Listing Rules.
9.1.3			
9.2	Policies		
9.2.1	The Listed Company shall establish and maintain the following policies and disclose the fact of existence of such policies together with the details relating to the implementation of such policies by the Company on its website; a) Policy on the matters relating to the Board of Directors b) Policy on Board Committees c) Policy on Corporate Governance, Nominations and Re-election d) Policy on Remuneration e) Policy on Internal Code of Business Conduct and Ethics for all Directors and employees, including policies on trading in the Entity's listed securities f) Policy on Risk management and Internal controls g) Policy on Relations with Shareholders and Investors h) Policy on Environmental, Social and Governance Sustainability i) Policy on Control and Management of Company Assets and Shareholder Investments j) Policy on Corporate Disclosures k) Policy on Whistleblowing l) Policy on Anti-Bribery and Corruption	01st October 2024	Complied. The policies that were not in place have been finalised. They will be available on the corporate website, www.lmfgroup.lk, on or before the effective date.

CORPORATE GOVERNANCE

Section Ref.	Requirement	Compliance	Reference
9.2.2	Any waivers from compliance with the Internal Code of Business Conduct and ethics or exemptions granted	01st October 2024	N/A
9.2.3	i List of policies in place as per Rule 9.2.1, with reference to the website ii Any changes to policies adopted	01st October 2024	Refer Compliance of Rule 9.2.1 above
9.2.4	Listed Company shall make available all such policies to shareholders upon a written request being made for any such Policy	01st October 2024	Refer Compliance of Rule 9.2.1 above
9.3	Board Committees		
9.3.1	Listed Company shall ensure that the following Board committees are established and maintained at a minimum and are functioning effectively. The said Board committees at minimum, shall include: (a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	01st October 2024	The Company has in place a Remuneration Committee, an Audit Committee and a Related Party Transactions Review Committee. The Company will comply with the requirement of Rule 9.11 by the effective date.
9.3.2	Listed Company shall comply with the composition, responsibilities and disclosures required in respect of the above Board committees as set out in these Rules	01st October 2024	Refer to Compliance under Rules 9.11, 9.12, 9.13 and 9.14 below.
9.4	Principles of democracy in shareholder dealings		
9.4.1	Listed Company shall maintain records of all resolutions and the following information upon a resolution being considered at any Company General Meeting. The Company shall provide copies of the same at the request of the Exchange and/or the Securities and Exchange Commission (SEC). a) The number of shares in respect of which proxy appointments have been validly made; b) The number of votes in favour of the resolution; c) The number of votes against the resolution; and The number of shares in respect of which the vote was directed to be abstained	01st October 2023	The Company Secretary maintains records of all resolutions of General Meetings and related information.
9.4.2	a) Listed Company should have a policy on effective communication and relations with shareholders and investors b) Listed Company should disclose the contact person for such communication c) The policy on relations with shareholders and investors on the process to make all Directors aware of major issues and concerns of shareholders	01st October 2024	The Company will comply with the implementation of the Policy on Relations with Shareholders and Investors.
9.5.1	Listed Company shall establish and maintain a formal policy governing matters relating to the Board of Directors, and such policy shall include the matters listed under this Rule.	01st October 2024	The Company will comply with the implementation of the Policy on matters relating to the Board of Directors.
9.5.2	Confirmation of compliance with the requirements of the Policy on matters relating to the Board of Directors. If non-compliant reasons for the same with proposed remedial action	01st October 2024	The Company will comply with the implementation of the Policy on matters relating to the Board of Directors.

Section Ref.	Requirement	Compliance	Reference
9.6	Chairperson and CEO		
9.6.1	The Chairperson of every Listed Company shall be a Non-Executive Director, and the positions of the Chairperson and CEO shall not be held by the same individual unless otherwise a SID is appointed by such Entity in terms of Rule 9.6.3 below	01st October 2023	Complied The Chairman was redesignated as a Non-Executive Director effective from 30th October 2023.
9.6.2	Where the Chairperson of a Listed Company is an Executive Director and/or the positions of the Chairperson and CEO are held by the same individual, such Entity shall make a Market Announcement within a period of one (1) month from the date of implementation of these Rules or an Immediate Market Announcement if such date of appointment and/ or combination of the said roles falls subsequent to the implementation of these Rules.	01st October 2023	N/A
9.6.3	Report of Senior Independent Director demonstrating the effectiveness of duties.	01st October 2023	N/A
9.6.4	Rationale for appointing Senior Independent Director	01st October 2023	N/A
9.7	Fitness of Directors and CEOs		
9.7.1	Listed Company shall take necessary steps to ensure that their Directors and the CEO are, at all times, fit and proper persons as required in terms of the Listing Rules. In evaluating the fitness and propriety of the persons referred in these Rules, the Company shall utilise the 'Fit and Proper Assessment Criteria' set out in Rule 9.7.3 of the Listing Rules.	01st October 2023	The Company Secretary obtains annual declarations from the Directors of the Company to ensure that they meet the fit and proper persons criteria as specified in Rule 9.7.3 of the Listing Rules of the CSE
9.7.2	Listed Company shall ensure that persons recommended by the Nominations and Governance Committee as Directors are fit and proper as required in terms of these Rules before such nominations are placed before the shareholders' meeting or appointments are made	01st October 2023	Since a Nominations and Governance Committee is not present, the Board of Directors have reviewed the declarations submitted by the Directors before recommendations for re- appointment/ re- election are placed before the shareholders' meeting or appointments are made. When the new Committee is formed, the recommendation of the said Committee will be obtained.
9.7.3	A Director or the CEO of a Listed Company shall not be considered as 'fit and proper' if she or he does not meet with the fit and proper assessment criteria specified under "Honesty, Integrity and Reputation", "Competence and Capability" and "Financial Soundness" as set out in Rule 9.7.3 (a), (b) and (c) respectively.	01st April 2024	Refer to Compliance of section 9.7.1 above.
9.7.4	Listed Company shall obtain declarations from its Directors and CEO on an annual basis confirming that each of them has continuously satisfied the Fit and Proper Assessment Criteria set out in the Listing Rules during the financial year concerned and satisfies the said criteria as of the date of such confirmation	01st October 2023	The Company Secretary has obtain Annual declarations for the year ended 31st March 2024, from Directors confirming that each of them has continuously satisfied the fit and proper assessment criteria as set out in the CSE revised Listing Rules.

CORPORATE GOVERNANCE

Section Ref.	Requirement	Compliance	Reference
9.7.5	Listed Entities shall include the following disclosures/reports in the Annual Report; (a) Statement on Directors and CEO satisfying Fit and Proper Assessment Criteria (b) Any non-compliance/s and remedial action taken	01st October 2023	(a) Compliant Refer to the 'Annual Report of the Board of Directors' of this Annual Report (b) N/A
9.8	Board Composition		
9.8.1	The Board of Directors of a Listed Company shall, at a minimum, consist of five (05) Directors.	01st October 2024	Complied Refer Corporate Information section, Board of Directors section, Corporate Governance section of this Annual Report. Articles of Association of the Company is amending by the way of a Special Resolution at the Annual General Meeting 2024.
9.8.2	Minimum Number of Independent Directors: (a) The Board of Directors of a Listed Company shall include at least two (2) Independent Directors or such number equivalent to one-third (1/3) of the total number of Directors of the Company at any given time, whichever is higher (b) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	01st October 2024	Complied Refer Corporate Governance section of this Annual Report.
9.8.3	A Director shall not be considered independent if he/she does not meet the criteria for determining independence as set out in Rule 9.8.3 of the Listing Rules.	Criteria 9.8.3 (i) to (viii) – October 01, 2024 Criteria 9.8.3 (ix) – January 01, 2025.	Complied Refer Corporate Governance section of this Annual Report.
9.8.5	(a) Each Independent Director is to submit a signed and dated declaration annually of his or her "independence" or "non-independence" against the criteria specified in Rule 9.8.3 of the Listing Rules and in the format in Appendix 9A of Section 9 of the said Rules. (b) Make an annual determination as to the "independence" or "non-independence" of each Independent Director based on the Directors' declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report (c) If the Board of Directors determines that the independence of an Independent Director has been impaired against any of the criteria set out in Rule 9.8.3, it shall make an immediate Market Announcement thereof	01st October 2023	Complied
9.9	Alternate Directors		
9.9	Alternate Directors	01st January 2024	The company's Articles of Association will be amended at the upcoming Annual General Meeting to integrate the requirements referred to in this Rule.

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
9.10	Disclosures Relating to Directors		
9.10.1	<p>Listed Company shall disclose its policy on the maximum number of directorships it's Board members shall be permitted to hold in the manner specified in Rule 9.5.1.</p> <p>In the event such number is exceeded by a Director(s), the Company shall provide an explanation for such non- compliance in the manner specified in Rule 9.5.2 of the Listing Rules</p>	01st October 2024	<p>The Company will comply with the implementation of the Policy on matters relating to the Board of Directors.</p> <p>Articles of Association of the Company is amending by the way of a Special Resolution at the Annual General Meeting 2024.</p>
9.10.2	<p>Listed Company shall, upon the appointment of a new Director to its Board, make an immediate Market Announcement setting out the following:</p> <p>i. A brief resume of such Director;</p> <p>ii. His/her capacity of directorship; and,</p> <p>iii. Statement by the Company indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Company</p>	01st October 2023	<p>Complied</p> <p>i. and ii. The Company has made necessary announcements.</p> <p>iii. Directors appointments were reviewed by the Board as the Nomination and Governance Committee is w.e.f. 01st October 2024.</p>
9.10.3	Listed Company shall make an immediate Market Announcement regarding any changes to the composition of the Board of Directors or Board Committees referred to in Rule 9.3 of the Listing Rules containing, at minimum, the details of changes including the capacity of directorship with the effective date thereof.	01st October 2023	<p>Complied.</p> <p>The Company has made Market Announcements through CSE website.</p>
9.10.4	<p>Directors details</p> <p>a) name, qualifications and brief profile</p> <p>b) nature of his/her expertise in relevant functional areas</p> <p>c) whether either the Director or Close Family Members has any material business relationships with other Directors</p> <p>d) whether Executive, Non-Executive and/or independent Director</p> <p>e) total number and names of companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as executive or non-executive (If the directorships are within the Group names need not be disclosed)</p> <p>f) number of Board meetings attended</p> <p>g) names of Board Committees in which the Director serves as Chairperson or a member</p> <p>h) Attendance of board committee meetings</p> <p>i) Terms of Reference and powers of Senior Independent Directors</p>	01st October 2023	<p>b) and d).</p> <p>Refer to Board profiles section of this Annual Report</p> <p>c). Based on the individual declarations obtained from the Directors, it was noted that none of the Directors or their Close Family Members have material business relationships with other Directors of the Company. A Statement to this effect has been included in the Annual Report of the Board of Directors' section of this Annual Report</p> <p>e), f), g) and h) – Refer to Corporate Governance Report of this Annual Report</p> <p>i) . N/A</p>
9.11	Nominations and Governance Committee		
9.11.1	Listed Company shall have a Nominations and Governance Committee that conforms to the requirements set out in Rule 9.11 of the Listing Rules	01st October 2024	The Company will comply on or before the effective date
9.11.2	Listed Company shall establish and maintain a formal procedure for the appointment of new Directors and re- election of Directors to the Board through the Nominations and Governance Committee	01st October 2024	The Company will comply on or before the effective date

CORPORATE GOVERNANCE

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
9.11.3	The Nominations and Governance Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	01st October 2024	The Company will comply on or before the effective date
9.11.4	<p>(1) The members of the Nominations and Governance Committee shall;</p> <p>(a) comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company</p> <p>(b) not comprise of Executive Directors of the Listed Company.</p> <p>(2) An Independent Director shall be appointed as the Chairperson of the Nominations and Governance Committee by the Board of Directors</p> <p>(3) The Chairperson and the members of the Nominations and Governance Committee shall be identified in the Annual Report of the Listed Company</p>	01st October 2024	The Company will comply on or before the effective date
9.11.5	The functions of the Nominations and Governance Committee	01st October 2024	The Company will comply on or before the effective date
9.11.6	<p>The Annual Report of a Listed Company shall contain a report of the Nominations and Governance Committee signed by its Chairperson</p> <p>Nominations and Governance Committee Report shall include the following:</p> <p>(a) Names of chairperson and members with nature of directorship</p> <p>(b) Date of appointment to the committee</p> <p>(c) Availability of documented policy and processes when nominating Directors</p> <p>(d) Requirement of re-election at regular intervals at least once in 3 years</p> <p>(e) Board diversity</p> <p>(f) Effective implementation of policies and processes relating to appointment and reappointment of Directors</p> <p>(g) Details of directors re-appointed</p> <ul style="list-style-type: none"> - Board Committees served - Date of first appointment - Date of last re-appointment - Directorships or Chairpersonships and other principal commitments, present and held over the preceding three years - Any relationships – close family member, more 10% shareholding <p>(h) Performance of periodic evaluation of board</p> <p>(i) Process adopted to inform independent directors of major issues.</p> <p>(j) Induction / orientation programs for new directors on corporate governance, Listing Rules, securities market regulations or negative statement</p> <p>(k) Annual update for all directors on corporate governance, Listing Rules, securities market regulations or negative statement</p> <p>(l) Compliance with independence criteria Statement on compliance with corporate governance rules, if non-compliant reasons and remedial actions</p>	01st October 2024	The Company will comply on or before the effective date

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
9.12	Remuneration Committee		
9.12.2	Listed Company shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of the Listing Rules	01st October 2023	Complied
9.12.3	The Remuneration Committee shall establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/her own remuneration	01st October 2023	Complied Refer to Remuneration Committee Report of this Annual Report.
9.12.4	Remuneration for Non-Executive Directors should be based on a policy which adopts the principle of non-discriminatory pay practices among them to ensure that their independence is not impaired	01st October 2023	Complied Refer to Remuneration Committee Report of this Annual Report.
9.12.5	Remuneration Committee shall have a written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings	01st October 2023	Complied Refer to Remuneration Committee Report of this Annual Report.
9.12.6	Composition (1) The members of the Remuneration Committee shall; (a) Comprise of a minimum of three (03) Directors of the Listed Company, out of which a minimum of two (02) members shall be Independent Directors of the Company (b) Not comprise of Executive Directors of the Listed Company (3) An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	01st October 2024	Presently the Committee consists of two Independent Non- Executive Directors. The Company will comply with the revised Rules in this regard by the effective date
9.12.7	The functions of the Remuneration Committee	01st October 2023	Complied Refer to Remuneration Committee Report of this Annual Report.
9.12.8	Remuneration Committee Report shall contain the following: (a) Names of chairperson and members with nature of directorship (b) Remuneration Policy (c) The aggregate remuneration of the Executive and Non-Executive Director	01st October 2023	Complied (a) Refer to Remuneration Committee Report of this Annual Report. (b) Refer to Remuneration Committee Report of this Annual Report. (c) Refer to Note 8 of the Financial Statements of this Annual Report
9.13	Audit Committee		
9.13.1	Where Listed Company does not maintain separate Committees to perform the Audit and Risk Functions, the Audit Committee of such Company shall additionally perform the Risk Functions set out in Rule 9.13 of the Listing Rules	01st October 2023	The Audit Committee of the Company perform the risk functions .
9.13.2	The Audit Committee shall have a written terms of reference clearly defining its scope, authority and duties	01st October 2023	Complied Refer to Audit Committee Report of this Annual Report.

CORPORATE GOVERNANCE

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
9.13.3	<p>(1) The members of the Audit Committee shall;</p> <p>a. Comprise of a minimum of three (03) directors of the Listed Company, out of which a minimum of two (02) or a majority of the members, whichever higher, shall be Independent Directors.</p> <p>b. Not comprise of Executive Directors of the Listed Company.</p> <p>(2) The quorum for a meeting of the Audit Committee shall require that the majority of those in attendance to be independent directors.</p> <p>(3) The Audit Committee may meet as often as required provided that the Audit Committee compulsorily meets on a quarterly basis prior to recommending the financials to be released to the market.</p> <p>(4) An Independent Director shall be appointed as the Chairperson of the Audit Committee by the Board of Directors.</p> <p>(5) Unless otherwise determined by the Audit Committee, the CEO and the Chief Financial Officer (CFO) of a Listed Company shall attend the Audit Committee meetings by invitation.</p> <p>(6) The Chairperson of the Audit Committee shall be a Member of a recognised professional accounting body</p>	01st October 2024	<p>Complied</p> <p>Refer to Audit Committee Report of this Annual Report.</p>
9.13.4	The functions of the Audit Committee	01st October 2024	<p>Currently, the Company is in compliance with Rule 7.10.6 (b)</p> <p>The Company will comply with the revised Rules in this regard by the effective date.</p>
9.13.5	<p>Disclosures in the Annual Report</p> <p>(1) Listed Company shall prepare an Audit Committee Report which shall be included in the Annual Report</p> <p>(2) The Audit Committee Report shall contain disclosures set out in Rule 9.13.5 (2)</p>	01st October 2024	<p>Currently, the Company is in compliance with Rule 7.10.6 (c)</p> <p>The Company will comply with the revised Rules in this regard by the effective date.</p> <p>The Audit Committee Report containing the disclosures referred to in this Rule will be included in the 2024/2025 Annual Report of the Company.</p>
9.14	Related Party Transactions Review Committee		
9.14.1	Listed Company shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of the Listing Rules.	01st October 2023	<p>Complied</p> <p>Refer to the Related Party Transactions Review Committee Report of this Annual Report</p>
9.14.2	<p>The Related Party Transactions Review Committee shall comprise of a minimum of three (03) Directors of a Listed Company, out of which two (02) members shall be Independent Directors of the Company. It may also include executive directors, at the option of the Company. An Independent Director shall be appointed as the Chairperson of the Committee</p> <p>(2) The Related Party Transactions Review Committee of the parent company may be permitted to function as the Related Party Transactions Review Committee of the subsidiary</p>	01st April 2024	<p>(1) Complied</p> <p>Refer to the Related Party Transactions Review Committee Report of this Annual Report</p> <p>(2) N/A</p>

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
9.14.3	The functions of the Related Party Transactions Review Committee	01st October 2023	Complied Refer to the Related Party Transactions Review Committee Report of this Annual Report
9.14.4	<p>1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors.</p> <p>2) The members of the Related Party Transactions Review Committee should ensure that they have, or have access to, enough knowledge or expertise to assess all aspects of proposed Related Party Transactions and where necessary, should obtain appropriate professional and expert advice from an appropriately qualified person.</p> <p>3) Where necessary, the Committee shall request the Board of Directors to approve the Related Party Transactions which are under review by the Committee. In such instances, the approval of the Board of Directors should be obtained prior to entering into the relevant Related Party Transaction.</p> <p>4) If a Director of a Listed Company has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not:</p> <p>a) be present while the matter is being considered at the meeting; and,</p> <p>b) vote on the matter</p>	01st October 2023	Complied Refer to the Related Party Transactions Review Committee Report of this Annual Report
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	01st October 2023	Complied Refer to the Related Party Transactions Review Committee Report of this Annual Report
9.14.6	Listed Company shall obtain Shareholder approval for the Related Party Transactions set out in Rule 9.14.6 of the Listing Rules	01st October 2023	There were no Related Party Transactions during the year which required shareholder approval. The Company will comply when a need arises.
9.14.7	Listed Company shall make an immediate Market Announcement to the Exchange for the Related Party Transactions as set out in Rule 9.14.7 (a) and (b)	01st October 2023	There were no Related Party Transactions during the year which required an immediate Market Announcement. The Company will comply when a need arises.
9.14.8 (1)	Related Party Disclosures Non-recurrent RPT exceeding 10% of the Equity or 5% of the Total Assets, whichever is lower (in the specified format)	01st October 2023	Complied Refer to Note. 35 of Financial Statements in this Annual Report
9.14.8 (2)	Recurrent RPT exceeding 10% of the gross revenue/income (in the specified format)	01st October 2023	Complied Refer to Note. 35 of Financial Statements in this Annual Report

CORPORATE GOVERNANCE

Section Ref.	CSE Listing Rules – Disclosure Requirement	Compliance	Reference
9.14.8 (3)	<p>Related Party Transactions Review Committee Report</p> <ul style="list-style-type: none"> Names of the Directors comprising the Committee Statement that committee has reviewed RPTs and communicated comments/observations to the Board Policies and procedures adopted by the Committee 	01st October 2023	<p>Complied</p> <p>Refer to the Related Party Transactions Review Committee Report of this Annual Report</p>
9.14.8 (4)	Affirmative declaration by the Board of Directors on compliance with RPT Rules or negative statement to that effect	01st October 2023	<p>Complied</p> <p>Refer to the Annual Report of Board of Directors' section of this Annual Report</p>
9.14.9	Acquisition and disposal of assets from/to Related Parties except for transactions set out in Rule 9.14.10, Listed Company shall ensure that neither the Company nor any of its subsidiaries, acquires a substantial asset from, or disposes of a substantial asset to, any Related Party of the Company without obtaining the approval of the shareholders of the Company by way of a Special Resolution	01st October 2023	The Company will comply when a need arises.
9.16	Additional Disclosures		
9.16	<p>Additional disclosures by Board of Directors Declaration on following</p> <ul style="list-style-type: none"> All material interests in contracts and have refrained from voting on matters in which they were materially interested Reviewed of the internal controls covering financial, operational and compliance controls and risk management and obtained reasonable assurance of their effectiveness and successful adherence and, if unable to make any of these declarations an explanation on why it is unable to do so; Made themselves aware of applicable laws, rules and regulations and are aware of changes particularly to Listing Rules and applicable capital market provisions; Disclosure of relevant areas of any material non-compliance with law or regulation and any fines, which are material, imposed by any government or regulatory authority in any jurisdiction where the Entity has operations 	01st October 2023	<p>Complied.</p> <p>Refer Related Committee Report of this Annual Report</p> <p>Refer Audit Committee Report of this Annual Report</p> <p>Refer Annual Report of Board of Directors section of this Annual Report.</p> <p>There were no instances of material non-compliance with law or regulations or fines.</p>

ENTERPRISE RISK MANAGEMENT

The LMF Group operates in a constantly evolving business environment. We understand the interplay between internal capabilities like resource allocation and innovation and external factors like market shifts and regulations. This dynamic environment presents both challenges and opportunities for growth.

Our established risk management strategy is a cornerstone of our operations. Fully integrated into our daily activities, it helps us proactively identify and address potential disruptions, minimizing risks and maximizing value creation. This forward-thinking approach informs our resource allocation decisions, fostering a culture of continuous improvement and innovation.

We empower our teams to leverage their expertise and make informed decisions. This adaptability allows us to capitalize on emerging opportunities while mitigating potential risks, ultimately contributing to our long-term sustainable success.

Embed Risk Identification

LMF Group encourages a culture of risk awareness lead by most relevant departments for each potential risk. Brainstorming sessions are integrated into all subsidiaries' project planning, department meetings, and performance reviews. Employees are actively encouraged to report potential issues encountered during their daily work, fostering a collaborative risk identification approach that considers various risk categories, including financial, operational, reputational, and legal.

Weave Risk Assessment into Decision Making

Risk assessment is a core component of decision-making processes throughout LMF Group. Project proposals, budget allocations, and strategic planning sessions at both the Group and subsidiary levels involve evaluating potential risks and their impact. Risk matrices are utilized to prioritize risks based on likelihood and severity, ensuring informed decision-making across the organization.

Risk assessments consider the potential impact of identified risks across various categories on financial performance, operational efficiency, brand reputation, and legal compliance. Risk matrices help prioritize these risks based on their likelihood of occurring and the severity of their potential impact.

Actionable Risk Response

Clear and actionable response plans are developed for identified risks at the subsidiary and group levels. These plans outline specific actions to mitigate, avoid, transfer, or accept the risk. The plans are seamlessly integrated into existing operational procedures across LMF Group, with clear assignment of responsibility for implementation at both the subsidiary and Group level. Response plans may involve mitigation strategies, risk

Risk Governance



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

Risk Management Process

The LMF Group embraces a proactive approach to risk management. Risk awareness is woven into the fabric of daily operations across all subsidiaries. Departments and operations are empowered to identify and manage risks relevant to their specific areas of responsibility. Robust risk governance ensures clear communication and collaboration throughout the organization. This decentralized approach fosters ownership and strengthens decision-making at all levels, ultimately contributing to the LMF Group's sustainable growth and resilience.



ENTERPRISE RISK MANAGEMENT

avoidance measures, risk transfer mechanisms, or risk acceptance protocols, depending on the risk category.

Continuous Monitoring and Learning









The effectiveness of implemented risk controls is continuously monitored and updated as needed across all LMF Group subsidiaries. Regular reviews of the overall risk landscape are conducted to identify new or emerging




















threats, ensuring proactive risk management. Lessons learned from risk events are actively shared across the organization, fostering continuous improvement in LMF Group's risk management efforts.

By integrating these steps into daily operations, risk management becomes a continuous mindset embedded in the LMF Group's culture. This fosters a proactive approach to challenges




















and opportunities, leading to better decision-making, improved operational efficiency, and increased resilience of the entire Group and its subsidiaries.




















This table outlines key risk exposures identified in 2023/24, along with mitigation measures and their alignment with strategic objectives.

Risk Context	Risk Impact	Related Capital	Lead Department	Potential Impact	Impacted Stakeholders	Risk Mitigation Strategies
Supply Chain Disruptions and Cost Pressures						
LMF's operations are significantly impacted by fluctuations in the availability and cost of raw materials, packaging, and transportation. Disruptions in the supply chain can lead to production delays, increased costs, and potential shortages, affecting profitability and customer satisfaction.	 High	Financial  Manufactured  Social and Relationship 	<ul style="list-style-type: none"> • Procurement • Finance • Operations 	<ul style="list-style-type: none"> • Decreased savings and increased borrowings • Decreasing Gross profit margins • Increased cost of living/wage rate pressure • Overall impact on profitability • Pressure on MRP • Constrain spending by reducing financial flexibility • Brand reputation and loss of customers 	Suppliers  Customers  Investors  Employees 	<ul style="list-style-type: none"> • Cost Reduction Initiatives • Diversification of Suppliers • Efficiency improvements • Focus on Value-added Products • Price adjustments • Inventory Optimization to avoid excessive holding costs and stockouts
















Risk Context	Risk Impact	Related Capital	Lead Department	Potential Impact	Impacted Stakeholders	Risk Mitigation Strategies
Financial Risk – Exchange Rate, Interest Rate and Credit Risk						
LMF is exposed to various financial risks as a dairy farming and manufacturing group. Fluctuations in exchange rates impact the cost of imported raw materials and machinery, while interest rate changes influence borrowing costs. Credit risk arises from the possibility of customers defaulting on payments.	 Medium	Financial  Manufactured 	<ul style="list-style-type: none"> • Finance • Production • Sales and Marketing 	<ul style="list-style-type: none"> • High cost of imports • Impact on financial position • Cash management • Limitation on imported raw material and packaging material • Meeting obligations • Profitability of business • Availability of goods 	Investors  Creditors  Employees  Suppliers 	<ul style="list-style-type: none"> • Committed facilities cover expected borrowings and maintain a healthy gearing ratio. • Improved banking facilities with competitive rates. • Strategic management of supplier payments, including advance payments and favourable exchange rates. • Monitoring of exchange exposures and adjusting payment/receipt timing. • Balanced approach to short-term vs. long-term borrowings and fixed vs. floating rate borrowings, with effective negotiation with bankers. • Regular liquidity evaluations to ensure sufficient resources for operations, financing, and investments.
Human Resources and Talent Management						
LMF's success hinges on a skilled and motivated workforce. Challenges in recruitment, retention, and employee development can impact productivity, operational efficiency, and overall business performance.	 Medium	Human  Manufactured 	<ul style="list-style-type: none"> • Human Resources 	<ul style="list-style-type: none"> • Administration costs • Backlog of work • Hinder the supply of goods • Quality of products Reputation • Workforce Health • Business continuation 	Employees  Customers  Investors 	<ul style="list-style-type: none"> • Adherence to Government and Health Ministry guidelines at all our locations • PPE is provided to staff in our production facilities. • Prioritising safety and health of all employees • Industry par remuneration and benefits packages • Promoting work-life balance
Milk Market Volatility						
The dairy industry is subject to price fluctuations due to factors such as production levels, consumer demand, and global market trends. These volatilities impact LMF's revenue and profitability.	 High	Financial  Social and Relationship 	<ul style="list-style-type: none"> • Operations • Farm Management team • Finance 	<ul style="list-style-type: none"> • Increasing milk prices and changes in volume directly impact the organisation's revenue and profitability. 	Customers  Investors  Employees 	<ul style="list-style-type: none"> • Increasing the number of milking cows and the amount of milk produced per cow daily to increase our farm's milk output. • A consistent supply of raw milk for the production lines is ensured by increasing overall dairy production.

ENTERPRISE RISK MANAGEMENT

Risk Context	Risk Impact	Related Capital	Lead Department	Potential Impact	Impacted Stakeholders	Risk Mitigation Strategies
Competitive Landscape & Brand Reputation						
The dairy market is highly competitive with established and emerging players. Maintaining a strong brand reputation and differentiating LMF's products are crucial for market share and customer loyalty.	 Low	Social and Relationship  Intellectual 	<ul style="list-style-type: none"> Marketing Sales 	<ul style="list-style-type: none"> Overall profitability Reputation Turnover and sales volumes Customer trust towards the brands 	Customers  Investors 	<ul style="list-style-type: none"> Assuring product quality and focusing on worldwide trends such as healthy living and the usage of liquid milk Assuring that our prices are reasonable. Investing in the growth of brands Product portfolio redevelopment and innovation Monitoring segment-wise sales and market share
Regulatory Compliance						
The food and dairy industry is subject to comprehensive regulations. Adherence to health, safety, and environmental standards is essential to avoid penalties and maintain consumer trust. Timely payment of taxes and filing tax and other returns encourages regulatory compliance.	 Low	Financial  Manufactured  Social and Relationship 	<ul style="list-style-type: none"> Legal Operations Finance 	<ul style="list-style-type: none"> Time and administration efforts dealing with such matters Reputational loss Financial loss Extra penalty payments 	Government  Customers  Investors 	<ul style="list-style-type: none"> Adhering to all necessary legislation and regulatory matters. Management evaluates regulatory changes regularly and assesses the impact of new regulations on the business. If an agreement is breached, the Company consults with internal and external legal professionals to limit the risk. A complete compliance checklist is checked regularly. Timely tax payment and filing returns.
Infrastructure and Funding Needs						
LMF's growth and expansion require adequate infrastructure and financial resources. Challenges in securing funding and developing necessary facilities can hinder business growth.	 Low	Financial  Manufactured 	<ul style="list-style-type: none"> Operations Finance 	<ul style="list-style-type: none"> Financial risk, interest rate risk Effect of Investment on business growth Effect on cash flow 	Employees  Customers  Investors  Community 	<ul style="list-style-type: none"> The infrastructure investments made by the organisation are carefully evaluated and chosen for the long-term benefits they provide.

Risk Context	Risk Impact	Related Capital	Lead Department	Potential Impact	Impacted Stakeholders	Risk Mitigation Strategies
Stakeholder Relationships and Customer Demand						
Organizations must effectively balance the needs of both customers and stakeholders to thrive. Customers are the primary revenue source, driving sales and growth through their preferences and demands. However, businesses must also consider the expectations of shareholders, employees, suppliers, and the community. Meeting the demands of all stakeholders is essential for long-term sustainability and success.	 Low	Social  Human  Intellectual  Financial  Natural 	<ul style="list-style-type: none"> • Marketing • Sales • Production 	<ul style="list-style-type: none"> • Loss of market share • Decreased revenue • Damage to brand reputation • Reduced employee morale • Investor dissatisfaction • Legal and regulatory issues • Supply chain disruptions 	Customers  Employees  Investors  Suppliers  Government  Community 	<ul style="list-style-type: none"> • Addressing customer feedback and complaints regularly • Effective communication and being supportive of the development and expansion of supplier sources • Reviewing supplier deliverables and performance • Rewarding loyal customers • Supplier partnerships are being strengthened. • Customer feedback mechanisms • Market research • CSR plans
Information Systems and Cyber Security Threats						
The protection of sensitive data and the integrity of information systems are critical for LMF's operations. Cyberattacks and system failures can disrupt business processes, damage reputation, and lead to financial losses.	 Medium	Manufactured  Financial  Social and Relationship 	<ul style="list-style-type: none"> • IT • Finance 	<ul style="list-style-type: none"> • Delays in tasks • Disruptions to business operations • Loss of sensitive data • Goodwill of company • Financial loss 	Customers  Employees  Investors 	<ul style="list-style-type: none"> • Information security is maintained by assigning different levels of access permissions to personnel based on their operational needs and responsibilities. • Regular cloud-based system backups and software updates are performed to enhance security. • To protect against viruses and unauthorised access, the company installs up-to-date anti-spyware and anti-virus software, implements firewalls and other security measures, and utilises passwords.

ENTERPRISE RISK MANAGEMENT

Risk Context	Risk Impact	Related Capital	Lead Department	Potential Impact	Impacted Stakeholders	Risk Mitigation Strategies
Product Responsibility and Quality						
Maintaining product quality and safety is paramount for LMF. Issues related to product contamination, recalls, or consumer complaints can harm the company's reputation and lead to legal liabilities.	 Medium	Human  Manufactured  Social and Relationship 	<ul style="list-style-type: none"> Quality Assurance Operations Production 	<ul style="list-style-type: none"> Impact on reputation Repeated purchases Total turnover and profitability Financial loss 	Customers  Regulators  Investors 	<ul style="list-style-type: none"> Employees at all production levels receive proper training and awareness about quality processes and output. Maintaining the internationally recognised ISO 22000:2018-Food Safety Management System Quality control is also implemented across the supply chain. Revision of raw and powdered milk quality control and testing techniques following local and international standards Testing was conducted to check the presence of aflatoxins and harmful chemicals in feed and related supplies To accomplish the quality goals, product and process improvements are developed and reviewed regularly.
Environmental Sustainability						
Increasingly, consumers and regulators are concerned about environmental impact. LMF must adopt sustainable practices to reduce its carbon footprint and comply with environmental regulations.	 Low	Natural  Financial  Social and Relationship 	<ul style="list-style-type: none"> Operations Farm management team Sales and Marketing 	<ul style="list-style-type: none"> Health effects and congenital disabilities Reducing quality water supplies Reduction in crops 	Community  Customers  Investors  Regulators 	<ul style="list-style-type: none"> Acquiring relevant licenses. Adopting more sustainable dairy farming practices Conducting Initial Environmental Evaluations (IEE) and integrating Environmental Impact Assessments (EIA) by the Central Environment Authority (CEA) into our projects, complying with the National Environmental Act, etc. Reusing and recycling Safe chemical handling Sustainable agriculture approaches are being prioritised. Waste management and eco-friendly waste disposal Maintaining proper records on environmental matters and conducting audits

REPORT OF THE AUDIT COMMITTEE

The Board of Directors has established an Audit Committee, which reports directly to the Board and operates within its governance framework. The Committee plays a vital role in supporting the Board's responsibilities, particularly those related to financial integrity. This report details the Committee's activities in overseeing financial statements, internal controls, risk management, and compliance throughout the year. Through these comprehensive efforts, the Committee safeguards the interests of all stakeholders, including shareholders.

Policy Framework

The policies adopted across the Group define the framework for the Company's Audit Committee operations.

Composition of the Audit Committee

Mr. D S K Amarasekera – Independent Non-Executive Director (Chairman)

Dr. A. Shakthevale – Independent Non-Executive Director

The Audit Committee is chaired by Mr. D.S.K. Amarasekera, a member of the Institute of Chartered Accountants of Sri Lanka and an Attorney-at-Law of the Supreme Courts of Sri Lanka, who serves as an Independent Non-Executive Director. The Committee's other member is Dr. A. Shakthevale, also an Independent Non-Executive Director.

Meetings

The Audit Committee adheres to a meeting schedule established by company policy, convening at least quarterly. External Audit Representatives, the Chief Financial Officer, Mr. W A. Dharmathilaka, and the Deputy Finance Manager, Mr. I. A. De Alwis, attended the meetings by invitation and briefed the committee on related matters. The Committee requests the Group CEO's attendance as needed. Procedures are in place for document circulation, clarification of member inquiries, and, when appropriate, obtaining written approvals.

The Audit Committee convened four times this year. Below are details regarding member attendance at these meetings.

Name	12/07/2023	10/11/2023	12/02/2024	28/05/2024
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓

Responsibilities and Duties of the Committee

The Audit Committee operates under a formal Charter outlining its authority, responsibilities, and specific duties.

The Audit Committee's primary function is to provide independent oversight and guidance to the Board of Directors regarding the Company's financial reporting, internal controls, risk management, and compliance. The Committee achieves this by performing the following core activities:

Financial Reporting Oversight:

- Ensure the preparation, presentation, and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS.
- Oversee the Company's compliance with financial reporting requirements, information requirements of the Companies Act, Securities and Exchange Commission of Sri Lanka (SEC), and other relevant regulatory bodies.

Internal Controls and Risk Management:

- Oversee processes to ensure the adequacy of internal controls and risk management procedures, mitigating various risk exposures.

External Auditor Oversight:

- Assess the performance and independence of the External Auditors.
- Recommend the appointment, reappointment, and removal of External Auditors to the Board.
- Approve the remuneration and terms of engagement.
- Review and monitor the External Auditor's independence, objectivity, and the effectiveness of the audit process.

- Develop and implement a policy on external auditors' non-audit services, considering relevant ethical guidance.

Financial Statement Review:

- Review the Company's annual audited Financial Statements and quarterly Financial Statements for compliance with Sri Lanka Accounting Standards and other relevant laws and regulations.

Governance and Compliance:

- Advise the Board on the Company's policies and procedures regarding compliance with applicable laws and regulations.
- Report regularly to the Board on the Committee's activities and make recommendations as appropriate.

Financial Reporting and Financial Control

The Audit Committee reviewed the Group's quarterly and annual financial statements for accuracy, transparency, and regulatory compliance. This included assessing disclosure adequacy, verifying accounting policy consistency, and confirming adherence to the Companies Act, Sri Lanka Accounting Standards, Listing Rules, and Corporate Governance Code.

The Committee also ensured forward-looking statements in the Annual Report aligned with the Group's future position by reviewing budgets and strategic plans. Discussions with management provided insights into potential accounting developments impacting the statements.

Maintaining a year-round focus on financial information integrity, the Committee monitored published information and reviewed key judgments and estimates by

REPORT OF THE AUDIT COMMITTEE

management to ensure their accuracy and alignment with accounting principles, safeguarding the reliability and transparency of the Group's financial reporting for stakeholders.

Risk Management, Internal Audit, and Controls

The Audit Committee actively monitored the Group's risk management framework. Discussions with management and Executive Directors allowed them to assess the effectiveness of the Group's past approach to identifying, managing, and mitigating principal and emerging risks, ensuring a robust framework was in place.

The Audit Committee's review process was carried out to ensure the effectiveness of internal audit practices. The operation and effectiveness of the Group's Internal Audit function were reviewed regarding its independence, effectiveness, and competency.

These reviews encompassed various aspects, including audit coverage, compliance with regulations and established policies, risk assessments, and corresponding mitigation actions for different business units to ensure that sufficient controls and systems are in place to safeguard the Group's operations.

External Audit

The Audit Committee maintained close oversight of the relationship with Messrs. KPMG, the Company's External Auditors. This included assessing their independence and performance, recommending their appointment/reappointment to the Board, and approving their remuneration and engagement terms while considering non-audit services provided. Additionally, the Committee monitored the audit progress, assessed its effectiveness, reviewed the Audited Financial Statements for compliance, and ensured management addressed matters raised in the Management Letter.

The Audit Committee recommends that Messrs. KPMG, Chartered Accountants, be reappointed as the Company's External Auditors for the financial year ending 31st March 2025.

The Audit Committee, following a review that confirmed Messrs. KPMG, Chartered Accountants' independence including no significant material transactions with the Group, no holdings of the Company's shares by the auditors, and adherence to the periodic rotation of the audit partner, recommends their reappointment as the Group's External Auditors for the financial year ending 31st March 2025, subject to shareholder approval at the forthcoming Annual General Meeting.

Conclusion

Based on its comprehensive review, the Audit Committee has reasonable assurance that the Company's control procedures and environment effectively monitor operations, ensure the accuracy of financial statements, and safeguard company assets. This confidence stems from the Committee's assessment of the company's accounting rules, operational controls, and risk management systems. Furthermore, the Committee is satisfied with the performance and independence of the Group's internal and external auditors throughout the year under review.



D S K Amarasekera

Chairman – Audit Committee

29 August 2024

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee, which is appointed by and responsible to the Board of Directors, comprises two Independent Non-Executive Directors in compliance with the listing rules of the Colombo Stock Exchange.

The Remuneration Committee focused on maintaining the company's competitive position in attracting and retaining top talent during the year. The committee's efforts were guided by principles of transparency, fairness, and accountability, ensuring that compensation practices aligned with the organization's strategic objectives and contributed to sustainable growth.

Composition of the Remuneration Committee

Mr. D S K Amarasekera - Independent Non-Executive Director (Chairman)

Dr. A. Shakthevale - Independent Non-Executive Director

Mr. D.S.K. Amarasekera, a member of the Institute of Chartered Accountants of Sri Lanka and an Attorney-at-Law of the Supreme Courts of Sri Lanka, an Independent Non-Executive Director, acts as the Chairman of the Committee. The other member of the Committee is Dr. A. Shakthevale, an Independent Non-Executive Director. Brief profiles of each member are presented on pages 24-26 of this report.

Meetings

The Remuneration Committee met four times during the year. Members, including the Group Chief Financial Officer and Deputy Finance Manager, were invited to attend. The Committee discussed various topics, including the remuneration policy for Executive Directors, key management personnel, the performance evaluation of KMPs and incentives for individual executives, and the overall remuneration strategy for the Company.

Name	12/07/2023	10/11/2023	12/02/2024	28/05/2024
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓

Remuneration Policy

The Group remuneration policy aims to attract, motivate, and retain the best professional and management talent for the Company. It also aims to motivate and encourage employees to perform at the highest possible level. The remuneration packages are determined using a formal and transparent procedure.

The Remuneration Committee reviewed the Group remuneration policy and studied the present remuneration package for Executive Directors and key management personnel, discussed strategies for retaining farm expert employees, reviewed the human resource policies and the process of annual increments, and made recommendations to the Board of Directors. The Company adopts non-discriminatory pay practices for Non-Executive Directors, and no Director is involved in fixing his/her own remuneration.

Responsibilities of the Committee

The Remuneration Committee determines the remuneration policy for Directors, Key Management Personnel, and Executives. This includes deciding individual remuneration packages, including termination compensation, and evaluating the performance of Executive Directors, Senior Management, and Executives. Additionally, the Committee reviews its Terms of Reference to ensure that its practices align with industry best practices.



D S K Amarasekera

Chairman - Remuneration Committee

29 August, 2024

RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

The primary function of the Related Party Transactions Review Committee is to guide the Board on transactions involving related parties, as defined by Sri Lanka Accounting Standard LKAS 24 and the Listing Rules of the Colombo Stock Exchange. The Committee's adherence to these regulations ensures that the Company prioritises the collective interests of its shareholders when engaging in such transactions. Reviews are conducted before the initiation of related party transactions or, if applicable, before their completion, provided that the transaction is contingent upon such review.

Composition of the Committee

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

A brief profile of each member of the Related Party Transaction Review Committee (RPTRC) is given on pages 24-26 of this report.

Committee Meetings

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

Name	30/06/2023	27/09/2023	29/12/2022	31/03/2024
Mr. D S K Amarasekera	✓	✓	✓	✓
Dr. A Shakthevale	✓	✓	✓	✓
Mr. D Hasitha S Jayawardena	✓	✓	✓	✓

As required by the applicable rules/regulations, the Committee analysed the transactions for the financial year and implemented a mechanism to facilitate future compliance.

Attendance by Invitation

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

Key Management Personnel and RPT

Lanka Milk Foods defines its KMP as the Board of Directors, Directors, Group CEO, Group CFO, Group Management Consultant, and senior executives of all subsidiary companies. To enhance transparency, governance, and compliance with Listing Rules requirements, the Company obtains declarations from KMP and Group companies to identify and assess Related Party Transactions.

Key Activities During the Financial Year

- The Committee reviewed the disclosures obtained from KMP and the Group's related companies.
- Based on the audited financial statements of the previous financial year, the Committee set the thresholds for Related Party Transactions that may require immediate market disclosures and shareholders; approval.
- The Committee reviewed all related party transactions and communicated the Committee's activities to the Board through the minutes of the Committee meetings every quarter.

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 outlined in Appendix 9A of the CSE Listing Rules. The Committee established its functions to strengthen further the internal procedures and policies with the requirements thereof, and relevant disclosures are made in a timely and detailed manner.

Declaration by the Board

The Annual Report of the Board of Directors includes a statement affirming adherence to the regulations outlined in the Listing Rules of the Colombo Stock Exchange.



D S K Amarasekera

Chairman - Related Party Transactions Review Committee

29 August, 2024

ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. Overview

The Board of Directors of Lanka Milk Foods (CWE) PLC is pleased to present the Company's and Group's 42nd Annual Report and Audited Financial Statements for the financial year ending March 31, 2023. The information provided here fulfils the requirements of the Companies Act No. 07 of 2007, the Listing Rules, and the best reporting practices of the Colombo Stock Exchange.

The Company was founded on November 12, 1981, as a Public Limited Liability Company, and it was listed on the Colombo Stock Exchange in 1983 as Lanka Milk Foods (CWE) PLC. The Cooperative Wholesale Establishment controlled the Company until it was privatised in 1991. In compliance with the provisions of the Companies Act No. 07 of 2007, the Company underwent re-registration and obtained a fresh Company number, PQ 142, on the 16th of April, 2008.

2. Review of the Business

2.1 Principal Activities

The Group is in the business of manufacturing, importing, exporting, packing, marketing and distributing powdered milk, dairy and dairy allied products, fruit juice, rearing cattle and goats to produce milk, and trading carbonated canned beverages. During the year, there were no significant changes in the principal activities of the Company and the Group.

2.2 Group Structure

The Group Structure is given on Note 31, Principal Subsidiaries, on page 145.

For more information, refer to Note 14, Investment in Subsidiaries, and Note 34, to the Financial Statements provide a segmental analysis of the Group's activities.

2.3 Performance Review and Future Developments

The Management Review and Management Discussion sections of this report review the financial and

operational performance, comment on the financial results, and discuss future strategies and prospects.

2.4 Financial Statements

The Financial Statements of the Company and the Group for the year ended 31 March 2024 were prepared following SLFRSs/LKASs, the Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka. The Audited Financial Statements approved by the Board of Directors on 29 August 2024 are provided on pages 100 to 160.

2.5 Auditor's Report

The Auditor's Report on the Financial Statements of the Company and the Group is set out on pages 96 to 99.

2.6 Accounting Policies and Changes During the Year

The accounting policies adopted in preparing the financial statements follow Sri Lanka Accounting Standards and are presented on pages 106 to 120. The group's accounting policies did not change during the year.

2.7 Donations

During the year, the Group made donations amounting to Rs. 125,000/-.

3. Summary of Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31st March	2024 Rs.000's	2023 Rs.000's
Net profit/loss before tax	2,293,401	1,262,422
Provision for taxation, including deferred tax	(77,891)	(73,217)
Net profit/loss after tax	2,215,510	1,189,205
Other comprehensive income	5,338,525	2,381,687
Total comprehensive income	7,554,035	3,570,892
The amount attributable to minority interest	158	114
Total comprehensive income attributable to the shareholders	7,554,193	3,571,006
Balance brought forward from the previous year	13,704,638	10,433,617
Dividend paid	(451,977)	(299,985)
The amount available for appropriations	20,806,854	13,704,638
Stated Capital	999,950	999,950
Balance attributable to shareholders at the end of the year	21,806,804	14,704,588

3.1 Group Revenue

The group revenue for the reporting year ended 31st March 2024 was Rs. 16,704 million (2022/23 – Rs. 14,172 million). Lanka Milk Foods (CWE) PLC, the Company, recorded Rs. 6,678 million for the financial year (2022/23 – Rs. 4,072 million).

3.2 Performance

The profit after tax of the Group was Rs. 2,216 million (2022/23 – Rs. 1,189 million). The Company reported a profit after tax of Rs. 2,209 million (2022/23 – Rs. 1,521 million). The segmental profits are disclosed in Note 34 to the Financial Statements. The income tax expense of the Group, including the deferred tax credit, for the reporting year amounted to Rs. 78 million (2022/23—Rs. 73 million). The Company's income tax expense for the reporting year amounted to Rs. 52.5 million (income tax reversal in 2022/23—Rs. 11.7 million). Tax expenses of the Group and Company are elaborated in Note 9 to the financial statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

3.3 Dividends (Interim)

For the year ended 31 March 2024, the Directors have declared and paid an interim dividend of Rs. 0.63 per share.

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

4.1 Subdivision of Shares

The company's ordinary shares were subdivided by splitting each issued ordinary share into 10 ordinary shares from 10th January 2024. Consequently, the total number of existing issued Voting Ordinary Shares increased from 39,998,000 to 399,980,000 without changing the company's Stated Capital, which will remain at Rs. 999,950,000/-.

4.2 Stated Capital

Post-Subdivision, the company's stated capital remains Rs. 999,950,000/-, representing the number of Post-Subdivision-issued Ordinary Shares of 399,980,000. There was no change in the stated capital.

4.3 Reserves

The total Group Reserves as of 31st March 2024 amounted to Rs. 20.8 billion (2022/23 – Rs. 13.7 billion). The movements of reserves during the period are given under the Statement of Changes in Equity on pages 102-103.

4.4 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 125.

4.5 Land Holdings

Details of leasehold land owned by the Company are given in Note 30 to Financial Statements on page 142.

4.6 Investments

Details of quoted and unquoted investments made by the Company as of 31st March 2024 are given in Note 15 to the Financial Statements on page 30.

4.7 Contingent Liabilities

Except as disclosed in Note 32 to the Financial Statements on page 145, there were no material contingent liabilities as of the reporting date.

5. Events after the Reporting Period

There have been no events after the reporting period that would have any material effect on the Group or the Company other than those disclosed in Note 33 of the Financial Statements.

6. Going Concern

The Directors have carefully considered the Group's financial position, operating conditions, and the impact of various factors, including regulatory requirements, in assessing the Group's ability to continue as a going concern. Based on this evaluation, the Directors have concluded that the Group possesses adequate resources to continue operations for the foreseeable future. Accordingly, the financial statements have been prepared on a going-concern basis. This is further described in Note 2.8 under the basis of preparation.

7. Share Information

An Ordinary share of the Company (LMF.N0000) was quoted on the Colombo Stock Exchange at Rs. 27.20 as of 31st March 2024 (2022/23 – Rs. 140.75). The lowest share price

recorded was Rs. 19.90 post-share subdivision during the year. The highest share price recorded was Rs. 248.25 before the share subdivision.

Information concerning earnings, dividends, net assets and market value per share is given in the Ten-Year Summary on 163-164 of this report.

8. Substantial Shareholding

8.1 Major Shareholdings

Information on the twenty largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, and market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on pages 61-62 under Investor Information.

8.2 Public Shareholding

At year-end, 5453 registered shareholders held ordinary voting shares (2022/23 – 4652). The percentage of shares held by the public, as per the Colombo Stock Exchange rules, was 34.34% (2023 – 34.33%).

9. Information on the Board of Directors

9.1 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	Non-Independent, Non-Executive Chairman
Mr. C. R. Jansz	Executive Director
Mr. D. S. K Amarasekara	Independent Non-Executive Director
Dr. A. Shakthevale	Independent Non-Executive Director
Mr. D. Hasitha. S. Jayawardena	Non-Independent Non-Executive Director
Ms. D. S. T. Jayawardena	Executive Director
Mr. H. M. A. Jayasinghe	Independent Non-Executive Director
Mr. J.T.M. Cooray	Independent Non-Executive Director

Brief profiles of the Directors as of 31st March 2024 appear on pages 22-25 of this report.

Independent directors must be free from any conflicts of interest. Mr. D.H.S. Jayawardena, Mr. C.R. Jansz retire by rotation and being eligible to offer themselves for re-election.

Mr. H.M.A. Jayesinghe and Mr. J.T.M. Cooray, appointed on 1 April 2024, and Ms. D. Hasitha S. Jayawardena will stand for re-election by shareholders at the Annual General Meeting. Their profiles on pages 22 to 25 detail their other principal commitments and directorships.

Pursuant to section 211 of the Companies Act No.07 of 2007 ordinary Resolutions will be put before the shareholders for the re-appointment of Mr. D. H. S. Jayawardena and Mr. C. R. Jansz notwithstanding the age limit of seventy years stipulated by section 210 Subsidiaries of the Companies Act.

9.2 Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

Director	As at 31st March 2024	As at 31st March 2023
Mr. D H S Jayawardena	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Mr. D. S. K Amarasekera	Nil	Nil
Dr. A. Shakthevale	Nil	Nil
Mr. D. Hasitha Stassen Jayawardena	Nil	Nil
Ms. D. S. T. Jayawardena	29340	2934
Mr. H. M. A. Jayesinghe	Nil	Nil
Mr. J.T.M. Cooray	Nil	Nil

9.3 Interests Register

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

The relevant interests of Directors in the Company's shares as of 31 March 2024 are recorded in the Interest Register, and details are provided in this Report under Directors' Shareholding.

The Directors have made them selves aware of applicable laws, rules and regulations and are aware of the changes to CSE Listing Rule amendments.

9.4 Directors' Remuneration

The remuneration of the Directors is given in Note 08 on page 122 of the consolidated financial statements.

9.5 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.

9.6 Fitness of Directors and CEO

The Board reviewed the declarations given by the Directors and the CEO that they are satisfying the fit and proper criteria envisaged on CSE Listing Rules and the company had no remedial action to comply with.

10. Employee Share Ownership Plans

The Company does not operate any share option schemes.

11. Related Party Disclosures

Transactions with entities that are controlled, jointly controlled, or significantly influenced by key managerial personnel or their close members of family or shareholders who have either control, significant influence or joint control over the entity are set out in Note 35 to the Financial Statements.

The Directors confirm that transactions with Related Parties in terms of the Sri Lanka Accounting Standard LKAS 24—Related Party Disclosures have been detailed in Note 35 to the Financial Statements and that the requirements as per the listing rules of the Colombo Stock Exchange have been complied with.

The Directors declare that the Company is in compliance with Rule 9.14 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2024.

12. 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.

13. 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.

14. Risk Management

The Risk Management processes currently practised by the Company to identify and manage potential risks are given on pages 79 to 84 and 151 to 157.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

15. 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 authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

The details of fees paid to the Auditors for the Company and its subsidiaries are set out in Note 08 to the Financial Statements. The Auditors have no interest in the Company or subsidiaries other than as Auditors.

16. Employees and Industrial Relations

The Company promotes a culture of teamwork, integrity, dedication, and remuneration linked to performance through annual appraisals of all employees' quantitative and qualitative performance. The number of persons employed by the Company as of 31 March 2024 was 222 (225 as of 31 March 2023) and by Group 713 (724 as of 31 March 2023). During the year under review, there were no significant material issues regarding employees and industrial relations.

17. Internal Controls

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

18. 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 64-78.

The Board of Directors confirms that the Company complies with section 9 as amended of the CSE Listing Rules.

19. Policies

The Company has established policies in compliance with CSE Listing Rules, covering areas such as Board and Sub-Committees, ESG and Sustainability, Relations with Shareholders and Investors, and Whistle-Blowing. All required policies will be implemented by the CSE-specified deadline.

20. Board Sub-Committees

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

Pursuant Section 9 of Listing Rules issued by Colombo Stock Exchange, the Board of Directors of Lanka Milk Foods have approved to Change the existing subcommittees composition and form Nomination and Governance Committee. This has been communicated as a market announcement.

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

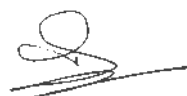
Remuneration Committee

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

21. Annual General Meeting

The 42nd Annual General Meeting of the Company will be hosted from Lanka Milk Foods (CWE) PLC as a virtual/hybrid meeting on Tuesday, September 26th, 2024, at 10:00 a.m. The Notice of Meeting appears on pages 165 to 166 of the report.

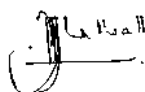
This Annual Report is signed for and on behalf of the Board of Directors by:



Mr. D. H. S. Jayawardena
Chairman



Mr. C. R. Jansz
Director



Ms. H. K. Bulathwatte
Company Secretary

Lanka Milk Foods (CWE) PLC
29 August 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors have established sufficient internal control systems and taken the necessary precautions to protect the Group's assets to prevent and identify fraud and other irregularities. The External Auditors were provided with all the necessary information and explanations to enable them to form their opinion on the Company's financial statements.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring all dividends.

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

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

On behalf of the Board of Directors



Ms H. K. Bulathwatte
Company Secretary

29 August 2024





FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT



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

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Fax +94 - 11 244 5872
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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 31st March 2024, and the income statements, statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information as set out on pages 100 to 160.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2024, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Measurement of Biological Assets - Group

Refer the Note 16 to the consolidated financial statements

Risk Description

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

The Group's Livestock, which are measured at fair value less cost to sell, was Rs.2,852 Mn, as at 31 March 2024, with a gain arising from changes in fair value less costs to sell of biological assets for the year ended 31 March 2024 recorded in the Statement of Profit or Loss and Other Comprehensive Income of Rs. 1,270 Mn. Management has used a valuation method developed based on past information, assumptions, market prices of livestock of similar age, weight, pregnancy, lactations and milk production.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Our response

- Understanding management's process for collecting the information to support the key assumptions and inputs adopted in the valuation of biological assets and assessing the information based on our knowledge of the Group and other audit procedures performed.
- Assessing the design, implementation and operating effectiveness of the management's key controls over the classification of Dairy cattle into calves, heifers, milking cows, dry cows and culled animals.

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C. P. Jayatilake FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameet FCA
Ms. P.M.K. Sumanasekera FCA

T. J. S. Rajakarier FCA
W. K. D. C. Abeyratne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R.W.M.O.W.D.B. Rathnadiwakera FCA

W. W. J. C. Perera FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FCIIT, K. Somasundaram ACMA (UK), R. G. H. Radcliffe ACA



Measurement of Biological Assets

Refer the Note 16 to the consolidated financial statements

Risk Description

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

Our response

- Assessing the methodologies adopted in the valuation of biological assets with reference to the requirements of the prevailing accounting standards.
- On a sample basis, assessing the input data used in the valuations of biological assets, including number of cattle, disposal meat value, average weight at disposal, breeding costs, milk production volumes and culling rates, based on available historical data.
- Evaluating the adequacy of the disclosure in Financial Statements, including disclosures of key assumptions, judgments and sensitivities.

Revenue Recognition – Group

Refer to notes 05 to the consolidated financial statements

Risk Description

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

The Group and the Company has recorded revenue for the year ended 31st March 2024 Rs.16,704 Mn and Rs. 6,678 Mn respectively.

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 customer.

We identified revenue recognition as a key audit matter because of its significance to the consolidated financial statements.

Our response

- Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition from sales transactions.
- Testing the operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment with the assistance of IT specialists.
- Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognised in the correct financial period.
- Performed inquiries of management and appropriate analytical procedures over revenue transactions throughout the financial year to understand and assess the reasonableness of the reported revenues;
- We performed test of details on revenue transactions throughout the financial year and evaluated the appropriateness of recognised revenue and its timing.
- Comparing revenue transactions recorded during the current year, on a sample basis, with invoices, underlying goods delivery and acceptance notes, where appropriate, to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies.

INDEPENDENT AUDITOR'S REPORT



Other Information

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

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

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

Responsibilities of 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 Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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

29TH AUGUST 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March	Note	Group		Company	
		2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Revenue	5	16,704,032	14,171,501	6,678,336	4,072,143
Cost of Sales		(14,040,224)	(12,392,598)	(5,018,466)	(3,174,309)
Gross Profit		2,663,808	1,778,903	1,659,870	897,834
Other Operating Income	6	1,453,686	1,039,127	19,372	106,066
Administrative Expenses		(1,220,631)	(1,032,070)	(359,879)	(310,855)
Distribution Expenses		(772,763)	(514,582)	(264,356)	(141,477)
Other Operating Expenses		(357,978)	(98,444)	2,402	(28,776)
Profit from Operations		1,766,122	1,172,934	1,057,409	522,792
Finance Income	7.1	1,618,516	1,192,621	1,638,635	1,210,114
Finance Expense	7.2	(1,091,237)	(1,103,133)	(434,423)	(223,704)
Net Finance Expense	7	527,279	89,488	1,204,212	986,410
Profit Before Taxation	8	2,293,401	1,262,422	2,261,621	1,509,202
Income Tax Expense	9	(77,891)	(73,217)	(52,557)	11,705
Profit for the Year		2,215,510	1,189,205	2,209,064	1,520,907
Other Comprehensive Income					
Items that will never be reclassified to profit or loss					
Net Change in Fair Value of Equity Securities - at FVOCI		5,354,540	2,365,423	5,354,540	2,365,423
Actuarial Gain/(Loss) on Defined Benefit Obligation		(19,966)	18,384	(9,234)	7,908
Tax on Other Comprehensive Income		3,951	(2,120)	2,770	(2,373)
Other Comprehensive Income for the Year		5,338,525	2,381,687	5,348,076	2,370,958
Total Comprehensive Income		7,554,035	3,570,892	7,557,140	3,891,865
Profit Attributable to :					
Owners of the company		2,215,668	1,189,319	2,209,064	1,520,907
Non controlling interest		(158)	(114)	-	-
Profit for the Year		2,215,510	1,189,205	2,209,064	1,520,907
Total Comprehensive Income Attributable to					
Owners of the company		7,554,193	3,571,006	7,557,140	3,891,865
Non controlling interest		(158)	(114)	-	-
Total Comprehensive Income for the Year		7,554,035	3,570,892	7,557,140	3,891,865
Figures in brackets indicate deductions.					
Earnings Per Share					
	10				
Basic Earnings Per Share	10.1	5.54	2.97	5.52	3.80
Diluted Earnings Per Share	10.2	5.54	2.97	5.52	3.80

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 106 to 160.

STATEMENT OF FINANCIAL POSITION

As at 31 March		Group		Company	
		2024	2023	2024	2023
	Note	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Assets					
Non Current Assets					
Property, Plant and Equipment	12	5,552,970	5,230,734	95,760	109,008
Intangible Assets	13	2,243	2,990	2,243	2,990
Investment in Subsidiaries	14	-	-	5,015,000	3,015,000
Other Investments	15.1	14,572,717	9,218,177	14,572,717	9,218,177
Biological Assets	16.1	2,851,793	2,003,533	-	-
Deferred Tax Asset	24	29,756	20,082	29,756	20,082
Right of Use Assets	30.1	488,729	506,517	253	279
Total Non Current Assets		23,498,208	16,982,033	19,715,729	12,365,536
Current Assets					
Inventories	17	3,501,993	2,787,191	1,182,871	532,944
Biological Assets	16.2	51,528	66,047	-	-
Other Investments	15.2	243,423	162,302	243,423	162,302
Trade Receivables	18	1,938,471	938,334	702,601	102,438
Other Receivables	19	254,503	105,783	25,357	21,524
Amounts Due from Related Parties	20	42,050	28,809	1,610,624	1,219,147
Income Tax Receivables		792	8,689	1,139	9,036
Cash and Cash Equivalents	21	241,522	47,276	27,777	22,747
Total Current Assets		6,274,282	4,144,431	3,793,792	2,070,138
Total Assets		29,772,490	21,126,464	23,509,521	14,435,674
Equity and Liabilities					
Equity					
Stated Capital	22	999,950	999,950	999,950	999,950
Capital Reserves		105,116	105,116	105,116	105,116
Fair Value through Other Comprehensive Income Reserve		14,001,631	8,647,091	14,001,631	8,647,091
Revenue Reserves		6,700,107	4,952,431	5,189,023	3,438,400
Total Equity attributable to Equity Holders of the Company		21,806,804	14,704,588	20,295,720	13,190,557
Non Controlling Interests		(507)	(349)	-	-
Total Equity		21,806,297	14,704,239	20,295,720	13,190,557
Liabilities					
Non Current Liabilities					
Loans and Borrowings	26	1,781,251	2,156,251	-	-
Lease Liability	30.2	590,618	550,587	292	312
Deferred Tax Liability	24	21,927	67,934	-	-
Retirement Benefit Obligations	25	197,595	159,708	90,414	74,969
Total Non Current Liabilities		2,591,391	2,934,480	90,706	75,281
Current Liabilities					
Trade and Other Payables	27	1,137,880	830,946	354,030	121,898
Amounts Due to Related Parties	28	74,993	95,048	100,549	90,743
Income Tax Payable		51,943	17,280	51,693	-
Loans and Borrowings	26	375,000	1,150,000	-	775,000
Short Term Borrowings	26	2,655,000	250,000	2,405,000	-
Lease Liability	30.2	35,755	37,913	18	20
Bank Overdraft	21	1,044,231	1,106,558	211,805	182,175
Total Current Liabilities		5,374,802	3,487,745	3,123,095	1,169,836
Total Liabilities		7,966,193	6,422,225	3,213,801	1,245,117
Total Equity and Liabilities		29,772,490	21,126,464	23,509,521	14,435,674

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 106 to 160.

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



W.A. Dharmathilaka

Group Chief Financial Officer

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

Approved and signed for and on behalf of the Board;



D.H.S. Jayawardena

Director

29 August 2024

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 2022	999,950	105,116	110,000	6,281,668	3,936,833	11,433,567	(235)	11,433,332
Total Comprehensive Income								
Profit for the year	-	-	-	-	1,189,319	1,189,319	(114)	1,189,205
Other Comprehensive Income								
Net change in Financial Instrument measured at FVOCI	-	-	-	2,365,423		2,365,423	-	2,365,423
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	18,384	18,384	-	18,384
Tax on Other Comprehensive Income					(2,120)	(2,120)	-	(2,120)
Total Comprehensive income	-	-	-	2,365,423	1,205,583	3,571,006	(114)	3,570,892
Dividend Paid	-	-	-	-	(299,985)	(299,985)	-	(299,985)
Balance as at 31st March 2023	999,950	105,116	110,000	8,647,091	4,842,431	14,704,588	(349)	14,704,239
Balance as at 1st April 2023	999,950	105,116	110,000	8,647,091	4,842,431	14,704,588	(349)	14,704,239
Total Comprehensive Income								
Profit for the year	-	-	-	-	2,215,668	2,215,668	(158)	2,215,510
Other Comprehensive Income								
Net change in Financial instrument measured at FVOCI	-	-	-	5,354,540		5,354,540	-	5,354,540
Actuarial Gain/(Loss) on Retirement Benefit Obligations	-	-	-	-	(19,966)	(19,966)	-	(19,966)
Tax on Other Comprehensive Income					3,951	3,951	-	3,951
Total Comprehensive income	-	-	-	5,354,540	2,199,653	7,554,193	(158)	7,554,035
Dividend Paid	-	-	-	-	(451,977)	(451,977)	-	(451,977)
Balance as at 31st March 2024	999,950	105,116	110,000	14,001,631	6,590,107	21,806,804	(507)	21,806,297

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 100 to 106.

For the Year Ended 31 March Company	Stated Capital Rs.000's	Revaluation Reserve Rs.000's	Dairy Development Project Reserve Rs.000's	FVOCI Reserve Rs.000's	Retained Earnings Rs.000's	Total Equity Rs.000's
Balance as at 1st April 2022	999,950	105,116	110,000	6,281,668	2,101,943	9,598,677
Total Comprehensive Income						
Profit for the year	-	-	-	-	1,520,907	1,520,907
Other Comprehensive Income						
Net change in Financial Instrument measured at FVOCI	-	-	-	2,365,423	-	2,365,423
Actuarial Gain on Retirement Benefit Obligations	-	-	-	-	7,908	7,908
Tax on Other Comprehensive Income					(2,373)	(2,373)
Total Comprehensive income	-	-	-	2,365,423	1,526,442	3,891,865
Dividend Paid	-	-	-	-	(299,985)	(299,985)
Balance as at 31st March 2023	999,950	105,116	110,000	8,647,091	3,328,400	13,190,557
Balance as at 1st April 2023	999,950	105,116	110,000	8,647,091	3,328,400	13,190,557
Total Comprehensive Income						
Profit for the year	-	-	-	-	2,209,064	2,209,064
Other Comprehensive Income						
Net change in Financial instrument measured at FVOCI	-	-	-	5,354,540	-	5,354,540
Actuarial Gain/(Loss) on Retirement Benefit Obligations	-	-	-	-	(9,234)	(9,234)
Tax on Other Comprehensive Income					2,770	2,770
Total Comprehensive income	-	-	-	5,354,540	2,202,600	7,557,140
Dividend Paid	-	-	-	-	(451,977)	(451,977)
Balance as at 31st March 2024	999,950	105,116	110,000	14,001,631	5,079,023	20,295,720

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 100 to 106.

STATEMENT OF CASH FLOWS

For the Year Ended 31 March		Group		Company	
		2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Note					
Cash Flow from Operating Activities					
Profit before tax		2,293,401	1,262,422	2,261,621	1,509,202
Adjustments for;					
Depreciation on property, plant and equipment	12.1/12.2	379,996	346,517	17,647	18,457
Amortisation of Right to use of asset	30.1	17,788	14,140	26	28
Changes in fair value of held for trading investments	7.1	(73,119)	(2,476)	(73,119)	(2,476)
Provision/ (Reversal) of Impairment for Amounts due from Related Companies		-	-	7,702	(38,260)
Amortisation of Intangible assets	13	747	747	747	747
Provision / (Reversal) of Impairment of Trade Receivables	18.1	15,303	21,014	12,913	(2,815)
Provision / (Reversal) of Impairment of Other Receivables	19	(9,908)	(6,357)	(6,357)	(6,357)
Gain on disposal of property, plant and equipment	6	-	(1,150)	-	(1,150)
Loss/ (Gain) on translation of foreign currency	7.1/7.2	(10,351)	40,106	(12,713)	47,200
Provision for retirement benefit obligation	25	54,661	42,054	20,914	15,879
Provision for obsolete inventories	17.1	11,998	(367)	-	(1,944)
Change in fair value of biological assets	16.1	(1,270,083)	(929,568)	-	-
Loss/ (Gain) on disposal of biological assets	6	54,901	27,470	-	-
Lease rental income	6	(5,997)	(6,058)	-	-
Dividend income	7.1	(1,520,044)	(1,163,351)	(1,520,044)	(1,163,351)
Interest income	7.1	(2,214)	(17,850)	(45,472)	(44,287)
Interest expense on lease liability	7.2	80,924	62,340	45	49
Interest expense	7.2	997,525	991,743	421,665	176,455
Operating profit/(loss) before working capital changes		1,015,528	681,376	1,085,575	507,377
(Increase) in inventories		(726,800)	(1,299,868)	(649,927)	(132,934)
(Increase)/decrease in trade and other receivables		(1,154,252)	(202,108)	(610,423)	105,450
(Increase)/decrease in amounts due from related companies		(13,241)	(4,088)	(399,179)	223,650
(Increase)/decrease in amounts due to related companies		(20,055)	(80,139)	9,806	(78,603)
Increase/(decrease) in trade and other payables		317,285	(727,297)	244,845	(1,107,293)
Cash flows generated from/(used in) operations		(581,535)	(1,632,124)	(319,303)	(482,353)
Interest paid		(997,525)	(991,743)	(421,665)	(176,455)
Income tax paid		(87,061)	(122,342)	-	-
Retiring Gratuity paid	25	(36,740)	(5,372)	(14,703)	(2,509)
Net cash flows generated from/(used in) operations		(1,702,861)	(2,751,581)	(755,671)	(661,317)

For the Year Ended 31 March		Group		Company	
		2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Note					
Cash Flow from Investing Activities					
Interest received	7.1	2,214	17,850	45,472	44,287
Dividend received	7.1	1,512,042	1,157,303	1,512,042	1,157,303
Acquisition of Intangible Assets	13	-	(3,737)	-	(3,737)
Acquisition of biological assets	16.2	(24,999)	(25,275)	-	-
Income from lease hold premises		5,997	6,058	-	-
Proceeds from disposal of property, plant and equipment		-	1,150	-	1,150
Proceeds from sale of biological assets		406,440	177,794	-	-
Additional Investment in subsidiaries		-	-	(2,000,000)	(1,950,000)
Purchase and construction of property, plant and equipment	12.1	(702,232)	(1,079,754)	(4,399)	(1,714)
Net cash flows generated from/(used in) investing activities		1,199,462	251,389	(446,885)	(752,711)
Cash Flow from Financing Activities					
Repayment of borrowings during the year	26	(7,920,000)	(1,531,250)	(7,195,000)	(1,250,000)
Repayment of short term borrowings during the year		(250,000)	-	-	-
Lease payment made during the year	30.2	(43,051)	(39,831)	(67)	(67)
Loan obtained during the year	26	9,425,000	2,958,855	8,825,000	2,025,000
Dividend paid		(451,977)	(299,985)	(451,977)	(299,985)
Net Cash flows generated from/(used in) financing activities		759,972	1,087,789	1,177,956	474,948
Net increase/(decrease) in cash and cash equivalents		256,573	(1,412,403)	(24,600)	(939,080)
Cash and cash equivalents at the beginning of the year		(1,059,277)	353,126	(159,423)	779,657
Cash and cash equivalents at the end of the year (Note 20)		(802,704)	(1,059,277)	(184,023)	(159,423)
Note A					
Analysis of cash and cash equivalents at the end of the year					
Cash and cash equivalents		241,527	47,281	27,782	22,752
Bank overdraft		(1,044,231)	(1,106,558)	(211,805)	(182,175)
		(802,704)	(1,059,277)	(184,023)	(159,423)

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 106 to 160.

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 2024 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 31 to the Financial Statements.

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

These Financial Statements include the following components:

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

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

2.2 Directors Responsibility for Financial Statements

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

2.3 Approval of Financial Statements

The Consolidated Financial Statements of the Company and the Group for the year ended 31 March 2024 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 29 August 2024.

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 (FVOCI) Income (Note 15.1) | Fair value |
| ii. Defined Benefit Obligation (Note 25) | Actuarially valued and recognized at Present value of the defined benefit obligation. |
| iii. Biological assets (Note 16) | Fair value less costs to sell |
| iv. Fair Value Through Profit or Loss (FVTPL) (Note 15.2) | Fair value |

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

2.5 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The Financial Statements are presented in Sri Lankan Rupees, which is the

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

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

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

2.7.1 Judgements

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

- Note 16 – Biological Assets;
- Note 24 – Deferred Tax Assets; availability of future taxable profit against which Tax losses carried forward can be used;
- Note 18 – Impairment loss; key assumptions underlying recoverable amounts; and
- Note 30 – Lease Term: whether the Group is reasonably certain to exercise extension options.

2.7.2 Assumption

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2024 is included in the following notes:

- Note 16 – Valuation of biological assets.
- Note 17 – Provision for inventory;

Note 25 – Retirement Benefit Obligations; key actuarial assumptions; and

Note 32 – Provisions and contingencies; key assumptions about likelihood and magnitude of an outflow of resources.

2.8 Going Concern

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

2.9 Current versus Non-Current Classification

The Group presents assets and liabilities in the Statement of Financial Position based on Current / Non-Current classification. An asset is Current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading or expected to be realized within twelve months after the reporting period or is Cash or Cash Equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as Non-Current Assets.

A liability is Current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

All other liabilities are classified as Non-Current Liabilities.

2.10 Determination of fair values

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

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

NOTES TO THE FINANCIAL STATEMENTS

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. MATERIAL ACCOUNTING POLICIES

Summary of material accounting policies have been disclosed along with the relevant individual notes in the subsequent pages. Those accounting policies presented with each note, have been applied consistently by the Group.

Changes in Material Accounting Policies

Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to LKAS 12) from 1 April 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognize the associated deferred tax assets and liabilities from the beginning

of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at the date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest presented.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the “integrally linked” approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognized on a net basis. Following the amendments, the Group has recognized a separate deferred tax liability in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of LKAS 12. There was also no impact on the opening retained earnings as at 1 April 2023 as a result of the change. The key impact of the Group relates to disclosure of the deferred tax assets and liabilities recognized. (refer Note 24)

Material Accounting Policy Information

The Group also adopted Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) from 1 April 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’ rather than ‘significant’, accounting policies.

The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the financial statements.

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 details of subsidiaries principal activities and domicile as follows,

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

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

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 derecognises 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising 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 derecognised.

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 derecognised.

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

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

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

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

3.3.1.1.6 Capital Work-In-Progress

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

3.3.1.2 Impairment of Non-Financial Assets

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

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

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

An impairment loss is recognized in profit or loss.

3.3.2 Leases

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

3.3.2.1 As a Lessee

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

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

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

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

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

- fixed payments, including in-substance fixed payments;

NOTES TO THE FINANCIAL STATEMENTS

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.3.5.3 Derecognition

Financial assets

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

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

3.3.5.4 Financial liabilities

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

3.3.5.5 Offsetting

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

3.3.5.6 Impairment of Financial Assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- 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:

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.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of

NOTES TO THE FINANCIAL STATEMENTS

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 2024. The valuation

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

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

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

The liability is not externally funded.

c. Short Term Benefits

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

3.3.8 Provisions, Contingent Assets and Contingent Liabilities

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

A Contingent Liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognized because:
 - I. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - II. the amount of the obligation cannot be measured with sufficient reliability.

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

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

3.3.9 Commitments

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

3.3.10 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, 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.

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.

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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.

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

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

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

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

3.4.6 Earnings per Share (EPS)

The Group presents basic and diluted Earnings per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.4.7 Segment Reporting

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

The activities of the segments are described in Note 34 to the Financial Statements.

3.4.8 Related Party Transactions

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

3.4.9 Statement of Cash Flows

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

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

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued several new accounting standards and amendments/improvements to existing standards. These new standards are set to become effective in the coming years. Early application of these standards is allowed, but the Group has not early adopted any of the new or amended standards in the preparation of these financial statements.

Classification of liabilities as current or non-current (Amendments to LKAS 1).

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require

NOTES TO THE FINANCIAL STATEMENTS

new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

Supplier Finance Arrangements (Amendments to LKAS 7 and SLFRS 7).

The amendments introduce new disclosure disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1 January 2024

General requirements for disclosure of sustainability-related financial information (SLFRS S1) and Climate-related disclosures (SLFRS S2)

In June 2023 the International Sustainability Standards Board (ISSB) released its first two sustainability disclosure standards, IFRS S1 and IFRS S2. During the year, CA Sri Lanka issued the localised standards based on these IFRSs designated as SLFRS S1 SLFRS S2. These standards will become effective for the Group from 1 April 2025. No financial impact is expected on the Group except for additional disclosures.

Other accounting standards

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

- Lease liability in a sale and leased back (Amendment to SLFRS 16).
- Lack of Exchangeability (Amendments to LKAS 21).

These new and amended accounting standards are not expected to have a significant impact on the Group's financial statements.

For the Year Ended 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
5 REVENUE				
Gross Revenue	16,704,032	14,171,501	6,678,336	4,072,143
	16,704,032	14,171,501	6,678,336	4,072,143
6 OTHER OPERATING INCOME				
Gain on Disposal of Property, Plant and Equipment	-	1,150	-	1,150
Insurance Claims	-	990	-	990
Gain/ (Loss) on Disposal of Biological Assets	(54,901)	(27,470)	-	-
Change in Fair Value of Biological Assets	1,270,083	929,568	-	-
Reversal of Related Party Payable balance	-	-	-	38,261
Sundry Income	176	1,592	-	77
Reversal of Inventory Provision	-	2,968	-	1,944
Storage Income	10,000	10,000	10,000	10,000
Other Income	237,634	135,285	22,285	50,829
Lease Rental Income	5,997	6,058	-	-
Reversal of / (Charge for) Provision for Impairment of Trade Receivable	(15,303)	(21,014)	(12,913)	2,815
	1,453,686	1,039,127	19,372	106,066
7 NET FINANCE EXPENSE				
7.1 Finance Income				
Interest on Fixed Deposits	1,103	16,751	1,096	15,825
Interest on loans and Receivables	1,111	1,099	818	848
Dividend Income	1,520,044	1,163,351	1,520,044	1,163,351
Gain on Changes in Equity Securities at FVTPL	73,119	2,476	73,119	2,476
Gain on Translation of Foreign Currency	23,139	8,944	-	-
Interest on Amount due from Related Companies	-	-	43,558	27,614
	1,618,516	1,192,621	1,638,635	1,210,114
7.2 Finance Expense				
Interest on Bank Overdraft	(169,162)	(248,934)	(28,483)	(42,768)
Interest on Lease Liability	(80,924)	(62,340)	(45)	(49)
Interest on Long Term Borrowings	(828,363)	(742,809)	(393,182)	(133,687)
Loss on Translation of Foreign Currency	(12,788)	(49,050)	(12,713)	(47,200)
	(1,091,237)	(1,103,133)	(434,423)	(223,704)
Net Finance Expense	527,279	89,488	1,204,212	986,410

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	For the Year Ended 31 March	Group		Company	
		2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
8	PROFIT BEFORE TAXATION				
	Directors' Emoluments	1,500	1,500	1,500	1,500
	Auditors' Remuneration				
	- Audit Services	7,959	6,620	4,582	3,989
	- Audit Related Services	3,162	1,028	3,162	1,028
	Non Audit services fees	1,828	1,072	720	381
	Depreciation on Property, Plant and Equipment	379,996	346,517	17,647	18,457
	Amortisation of Right of Use Assets	17,788	14,140	26	28
	Provision (Reversal) for Impairment Loss on Trade Receivables	15,303	21,014	12,913	(2,815)
	Management Fees	5,000	5,000	5,000	5,000
	Provision for Obsolete Inventory	11,998	(367)	-	(1,944)
	Personnel Costs (Note 8.1)	1,210,050	1,165,414	456,920	431,770
8.1	Personnel Costs				
	Defined Contribution Plan Costs - EPF and ETF	73,561	71,656	31,755	29,585
	Defined Benefit Plan Cost - Retirement Benefit Obligation	45,242	42,056	20,914	15,879
	Other Staff Costs	1,091,247	1,051,702	404,251	386,306
		1,210,050	1,165,414	456,920	431,770
	Total Number of Employees as at Year End	713	724	222	225
9	INCOME TAX EXPENSE/(REVERSAL)				
	Current Tax Expense				
	Income Tax for the Year (Note 9.1.1)	128,016	105,011	59,461	-
	(Over)/Under Provision of Income Tax	1,605	(1,246)	-	-
		129,621	103,765	59,461	-
	Deferred Tax Expense/(Credit)				
	Deferred Tax Charge /(Credit) for the Year (Note 24)	(51,730)	(270,026)	(6,904)	(4,538)
	Impact on deferred tax from rate change	-	239,478	-	(7,167)
		(51,730)	(30,548)	(6,904)	(11,705)
	Total Income Tax Expense	77,891	73,217	52,557	(11,705)
	Effective tax rate (%)-including deferred tax	3%	6%	-	-
	Effective tax rate (%)-excluding deferred tax	6%	8%	-	-

9 INCOME TAX (CONTINUED)

- a) The profits and income of Lanka Milk Foods (CWE) PLC is liable for income tax at the rate 30% (2022/23-18% & 30%) 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 30%, manufacturing income taxed at the rate of 30% and other income are liable for income tax at the rate of 30%. (2022/2023- 18% &30%) and Indo Lanka Exports (Private) Limited is taxed at the rate of 30%. (2022/23- 18 & 30%)
- c) The profits and income of Ambewela Livestock Company Limited, United Dairies Lanka (Private) 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. (2023 - Exempt). 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.

For the Year Ended 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
9.1 Numerical Reconciliation of Accounting Profit to Income				
Tax Expense				
Profit before Income Tax Expenses	2,293,401	1,262,422	2,261,621	1,509,202
Consolidation Adjustments	20,199	38,320	-	-
	2,313,600	1,300,742	2,261,621	1,509,202
Disallowable expenses	788,082	543,191	79,897	(6,405)
Tax Deductible Expenses	(1,996,785)	(1,984,062)	(25,389)	(13,435)
Tax Exempt Income	(1,761,105)	(2,847,266)	(1,651,430)	(1,208,787)
Gain/Loss Asset Disposal/Sale of livestock	-	1,278,618	-	-
Business income	(656,208)	(1,708,777)	664,699	280,575
9.1.1 Business Income	888,704	915,320	664,699	280,575
Business (Loss)/ Income Exempted	(1,455,648)	(2,583,646)	-	-
Business Loss	(89,263)	(40,451)	-	-
	(656,208)	(1,708,777)	664,699	280,575
Business Profit	888,704	915,320	664,699	280,575
Non Business Income	49,842	139,904	45,328	139,155
Tax Loss Claimed During the year	(511,825)	(419,730)	(511,825)	(419,730)
Taxable Income	426,721	635,494	198,202	-
Income tax @ 24%	-	112	-	-
Income tax @ 18%	-	5,098	-	-
Income tax @ 14%	-	71,936	-	-
Income tax @ 30%	128,016	27,865	59,461	-
	128,016	105,011	59,461	-

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9 INCOME TAX EXPENSE/(REVERSAL) (CONTINUED)

For the Year Ended 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
9.2 Accumulated Tax Losses				
Tax loss brought forward	1,484,015	2,588,947	583,639	1,008,063
Adjustments related to prior years	(71,728)	(725,653)	(71,814)	(4,694)
Loss for the Year	89,263	40,451	-	-
Tax loss claimed during the Year	(511,825)	(419,730)	(511,825)	(419,730)
Tax loss carried forward	989,725	1,484,015	-	583,639

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	
	2024	2023 (restated)	2024	2023 (restated)
Profit Attributable to Ordinary Shareholders (Rs.'000)	2,215,668	1,189,319	2,209,064	1,520,907
Weighted Average Number of Ordinary Shares ('000)	399,980	399,980	399,980	399,980
Basic Earnings Per Share (Rs.)	5.54	2.97	5.52	3.80

10.2 Diluted Earnings Per Share

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

11 DIVIDENDS PER SHARE

For the Year Ended 31 March	Group		Company	
	2024	2023	2024	2023
Dividend per share (Rs.)	0.63	0.50	0.63	0.50

Dividend per Share in all reporting Period were adjusted Based on post -Sub division of 10 Shares for every Ordinary Share held in 2023.

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

	As at 01/04/2023 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2024 Rs.000's	As at 31/03/2023 Rs.000's
Cost / Deemed Cost					
Leasehold Buildings	4,589,736	661,856	-	5,251,592	4,589,736
Plant and Machinery	3,107,494	3,537	-	3,111,031	3,107,494
Laboratory Equipment	11,980	98	-	12,078	11,980
Factory Equipment	279,792	11,656	-	291,448	279,792
Canteen Equipment	9,540	433	-	9,973	9,540
Office Equipment	15,226	1,588	-	16,814	15,226
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture and Fittings	13,439	1,388	-	14,827	13,439
Fixtures	20	-	-	20	20
Computers	47,913	4,604	-	52,517	47,913
Motor Vehicles	295,326	45,461	-	340,787	295,326
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads and Others	67,028	-	-	67,028	67,028
	8,445,067	730,621	-	9,175,688	8,445,067
Capital Work in Progress	81,933	7,727	(36,116)	53,544	81,933
	8,527,000	738,348	(36,116)	9,229,232	8,527,000

	As at 01/04/2023 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2024 Rs.000's	As at 31/03/2023 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	583,534	156,672	-	740,206	583,534
Plant and Machinery	2,056,777	187,434	-	2,244,211	2,056,777
Laboratory Equipment	8,157	200	-	8,357	8,157
Factory Equipment	248,620	8,593	-	257,213	248,620
Canteen Equipment	5,141	700	-	5,841	5,141
Office Equipment	11,034	1,100	-	12,134	11,034
Fire Fighting Equipment	4,255	-	-	4,255	4,255
Furniture and Fittings	12,158	533	-	12,691	12,158
Fixtures	10	-	-	10	10
Computers	30,193	6,626	-	36,819	30,193
Motor Vehicles	268,433	17,341	-	285,774	268,433
Milk Collection Equipment	3,318	-	-	3,318	3,318
Motor Roads and Others	64,636	797	-	65,433	64,636
	3,296,266	379,996	-	3,676,262	3,296,266
Written Down Value	5,230,734			5,552,970	5,230,734

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

As at 31 March	2024 Rs.000's	2023 Rs.000's
Written Down Value		
Leasehold Buildings	4,511,386	4,006,202
Plant and Machinery	866,820	1,050,717
Laboratory Equipment	3,721	3,823
Factory Equipment	34,235	31,172
Canteen Equipment	4,132	4,399
Office Equipment	4,680	4,192
Fire Fighting Equipment	-	-
Furniture and Fittings	2,136	1,281
Fixtures	10	10
Computers	15,698	17,720
Motor Vehicles	55,013	26,893
Milk Collection Equipment	-	-
Motor Roads and Others	1,595	2,392
	5,499,426	5,148,801
Capital Work in Progress	53,544	81,933
	5,552,970	5,230,734

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

As at 31 March	2024 Rs.000's	2023 Rs.000's
Lanka Milk Foods (CWE) PLC	310,172	308,595
Lanka Dairies Limited	823,475	193,742
Ambewela Livestock Company Limited	124,191	124,191
Pattipola Livestock Company Limited	85,059	85,054
Ambewela Products (Private) Limited	854,555	756,074
	2,197,452	1,467,656

- (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 capitalized borrowing cost amounting to Nil (2022/23 - 207 Mn.). Relating to constructing Property, Plant and Equipments.
- (e) Capital work-in progress includes,

As at 31 March	2024 Rs.000's	2023 Rs.000's
Building Construction	53,544	81,933
	53,544	81,933

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

(f) The details of buildings on leasehold lands as at 31 March 2024 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	3.28	140,800	3	434,416	340,170	94,246
Ambewela	458.47	-	139	4,817,176	400,036	4,417,140
				5,251,592	740,206	4,511,386

12.2 Company

	As at 01/04/2023 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2024 Rs.000's	As at 31/03/2023 Rs.000's
Cost /Deemed Cost					
Leasehold Buildings	358,951	-	-	358,951	358,951
Plant and Machinery	199,487	191	-	199,678	199,487
Laboratory Equipment	2,863	98	-	2,961	2,863
Factory Equipment	10,208	42	-	10,250	10,208
Canteen Equipment	9,540	433	-	9,973	9,540
Office Equipment	8,938	952	-	9,890	8,938
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture and Fittings	4,178	32	-	4,210	4,178
Computers	26,609	2,651	-	29,260	26,609
Motor Vehicles	117,770	-	-	117,770	117,770
	742,767	4,399	-	747,166	742,767

	As at 01/04/2023 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2024 Rs.000's	As at 31/03/2023 Rs.000's
Accumulated Depreciation					
Leasehold Buildings	282,010	8,548	-	290,558	282,010
Plant and Machinery	180,949	3,316	-	184,265	180,949
Laboratory Equipment	2,851	9	-	2,860	2,851
Factory Equipment	9,332	111	-	9,443	9,332
Canteen Equipment	5,142	700	-	5,842	5,142
Office Equipment	8,374	147	-	8,521	8,374
Fire Fighting Equipment	4,223	-	-	4,223	4,223
Furniture and Fittings	4,081	42	-	4,123	4,081
Computers	21,382	3,154	-	24,536	21,382
Motor Vehicles	115,415	1,620	-	117,035	115,415
	633,759	17,647	-	651,406	633,759
Written Down Value	109,008			95,760	109,008

NOTES TO THE FINANCIAL STATEMENTS

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.2 Company (Continued)

As at 31 March	2024 Rs.000's	2023 Rs.000's
Written Down Value		
Leasehold Buildings	68,393	76,941
Plant and Machinery	15,413	18,538
Laboratory Equipment	101	12
Factory Equipment	807	876
Canteen Equipment	4,131	4,398
Office Equipment	1,369	564
Fire Fighting Equipment	-	-
Furniture and Fittings	87	97
Computers	4,724	5,227
Motor Vehicles	735	2,355
	95,760	109,008

- (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 2023/24 and 2022/23.
- (c) Property plant and Equipment as at 31st March 2024 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 310.1 million that are still in use (2022/23 - Rs. 308.6 million).

13 INTANGIBLE ASSETS

For the Year Ended 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Cost				
Opening Balance	3,737	-	3,737	-
Additions	-	3,737	-	3,737
Disposals	-	-	-	-
Closing Balance	3,737	3,737	3,737	3,737
Amortization				
Opening Balance	747	-	747	-
Charge for the year	747	747	747	747
Disposals	-	-	-	-
Closing Balance	1,494	747	1,494	747
Carrying Value	2,243	2,990	2,243	2,990

Lanka Milk Foods PLC

Software developed for marketing staff-Sales Automation System Amortization for 5 years

14 INVESTMENT IN SUBSIDIARIES

Company

As at 31 March	2024			2023	
	Holding Percentage	No. of Shares	Cost Rs.000's	No. of Shares	Cost Rs.000's
Lanka Dairies Limited	100%	501,500,000	5,015,000	500,000	5,000
Ambewela Livestock Company Limited	-	-	-	3,000,000	51,137
Pattipola Livestock Company Limited	-	-	-	1,000,000	46,815
Ambewela Products (Private) Limited	-	-	-	1,000,000	1,010,000
United Dairies Lanka (Private) Limited	-	-	-	5,000,000	2,000,000
Indo Lanka Exports (Private) Limited	51%	306,000	30,600	306,000	30,600
			5,045,600		3,143,552
Less : Provision for Impairment of Investments			(30,600)		(128,552)
			5,015,000		3,015,000

During the year United Dairies Lanka (Private) Limited has issued shares amounting to Rs. 2 Bn to the Company. Accordingly as at 31st December 2023, the Company had Investment in Subsidiary (cost) of Rs. 5,107,951,761 and provision for impairment of subsidiaries of Rs. 128,552. On 31 December 2023, the Company transferred the following subsidiaries ; Ambewela Livestock Company Limited, Pattipola Livestock Company Limited, Ambewela Products (Private) Limited & United Dairies Lanka (Private) Limited which had a carrying amount of Rs. 5,010 Mn as at 31st December 2023 to Lanka Dairies Limited. As consideration for received investments, Lanka Dairies Limited has issued shares worth Rs. 5,010 Mn to the Company.

14.1 Provision for Impairment of Investments

As at 31 March	2024 Rs.000's	2023 Rs.000's
Balance as at 1st April	128,552	128,552
Charge/(Transfer) during the year	(97,952)	-
Balance As at 31 March	30,600	128,552

- 14.1.1 The Company has made provision for impairment of Rs. 30,600,000/- (2022/23-Rs. 128,552,000) on the investment in subsidiaries as at 31 March 2024 due to the adverse business environment in which the subsidiary companies are operated. This has resulted in continuous operating losses and negative operating cash flows in subsidiary company 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;

During the year, the Company transferred the impairment provision made for Ambewela Livestock Company Limited and Pattipola Livestock Company Limited amounting to Rs. 97,952,000 to Lanka Dairies Limited with the transfer of its investment in subsidiaries.

As at 31 March	2024 Rs.000's	2023 Rs.000's
Ambewela Livestock Company Limited	-	(51,137)
Pattipola Livestock Company Limited	-	(46,815)
Indo Lanka Exports (Private) Limited	(30,600)	(30,600)
	(30,600)	(128,552)

NOTES TO THE FINANCIAL STATEMENTS

15 INVESTMENT IN SHARES

As at 31 March	2024 Rs.000's	2023 Rs.000's
Equity securities – at FVOCI (Note 15.1)	14,572,717	9,218,177
Equity securities – mandatorily at FVTPL (Note 15.2)	243,423	162,302

As at 31 March	2024		2023	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
15.1 Equity securities – at FVOCI				
Group/Company				
Distilleries Company of Sri Lanka PLC	44,991,407	1,210,269	44,991,407	881,832
Melstacorp PLC	151,846,000	13,362,448	151,846,000	8,336,345
		14,572,717		9,218,177

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

- 15.1.1 Net change in fair value gain/ (loss) in equity securities – at FVOCI during the year was Rs. 5,354,540 Mn (2022/23 – gain Rs. 2,365,423 Mn).
- 15.1.2 The value of shares pledged by the Group/ Company as securities for facilities obtained from banks amounted to Rs. 13,362 Mn (2022/23 – Rs.8,336 Mn).
- 15.1.3 No strategic investments were disposed of during 2023/2024, and there was no transfer of any cumulative gain or loss within equity relating to this investment.

As at 31 March	2024		2023	
	No. of Shares	Fair Value Rs.000's	No. of Shares	Fair Value Rs.000's
15.2 Equity securities – at FVTPL				
Group/Company				
Browns Beach Hotels PLC	1,251,558	16,270	1,251,558	15,144
Colombo Dockyard PLC	219,948	10,689	219,948	14,077
Commercial Bank of Sri Lanka PLC – Voting	2,215,603	216,464	2,092,470	133,081
		243,423		162,302

16 BIOLOGICAL ASSETS

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
16.1 Livestock				
Balance as at the Beginning	2,003,533	1,279,229	-	-
Changes in Fair Value during the Year	1,270,083	929,568	-	-
Disposals during the Year	(421,823)	(205,264)	-	-
Balance as at the End	2,851,793	2,003,533	-	-
16.2 Non Perennial Crops - At Cost				
Balance as at the Beginning	66,047	40,772	-	-
Additions during the Year	24,999	25,275	-	-
Disposals during the Year	(39,518)	-	-	-
Balance as at the End	51,528	66,047	-	-

The Group has used the following significant criteria in determining the fair value of the biological assets as at 31 March 2024.

Milk Production	30 – 32 litres
Lactations	1 – 4 lactation
Discount Rate	11%
Market Price of Milk	Rs.240 per litre
	Heifers 452 kg
	Cows 544 kg
Average animal weight	Bull Calves 100 kg
	Stud Bull 940 kg

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

16.3 Measurement of Fair Values

a) Fair Value Hierarchy

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

b) Level 3 Fair Values

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

As at 31 March Group	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Gain included in other income				
Change in Fair Value (Realized)	(54,901)	(27,470)	-	-
Change in Fair Value (Unrealized) (Note 16.1)	1,270,083	929,568	-	-
	1,215,182	902,098	-	-

16.4 Valuation Techniques Used

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

NOTES TO THE FINANCIAL STATEMENTS

16 BIOLOGICAL ASSETS (CONTINUED)

16.5 Sensitivity Analysis

Sensitivity Variation on Selling Price

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

As at 31 March Group	-10% Rs.000's	2024 Rs.000's	+ 10% Rs.000's
Livestock	(2,196,093)	2,851,793	2,196,093
Total	(2,196,093)	2,851,793	2,196,093

Sensitivity Variation on Average Animal Weight

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

As at 31 March Group	-10kg Rs.000's	2024 Rs.000's	+10kg Rs.000's
Livestock	(3,703,487)	2,851,793	3,703,487
Total	(3,703,487)	2,851,793	3,703,487

Sensitivity Variation on Discount Rate

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

As at 31 March Group	-1% Rs.000's	2024 Rs.000's	+ 1% Rs.000's
Livestock	63,696	2,851,793	(61,475)
Total	63,696	2,851,793	(61,475)

There were no biological assets pledged by the Group as security for facilities obtained from banks (2022/23 - nil).

There were no borrowing cost capitalised under biological assets on interest-bearing loans and borrowings and lease liabilities by the Group during the financial years 2023/24 and 2022/23.

17 INVENTORIES

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Raw Materials and Consumables	2,594,677	2,324,087	602,564	207,114
Finished Goods	836,623	109,448	584,922	1,328
Working in Progress	35,882	13,884	13,724	-
Goods in Transit	100,810	393,773	-	342,841
	3,567,992	2,841,192	1,201,210	551,283
Less : Provision for Obsolete Inventories (Note 17.1)	(65,999)	(54,001)	(18,339)	(18,339)
	3,501,993	2,787,191	1,182,871	532,944
17.1 Provision for Obsolete Inventories				
Balance as at 1st April	54,001	54,368	18,339	20,283
Charge/(Reversal) for the year	11,998	(367)	-	(1,944)
Balance As at 31st March	65,999	54,001	18,339	18,339

18 TRADE RECEIVABLES

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Trade Receivables	2,048,737	1,033,297	756,650	143,574
Less: Provision for Impairment Loss (Note 18.1)	(110,266)	(94,963)	(54,049)	(41,136)
	1,938,471	938,334	702,601	102,438
18.1 Provision for Impairment Loss				
Balance as at 1st April	94,963	73,949	41,136	43,951
Charge / (reversal) for the year	15,303	21,014	12,913	(2,815)
Balance As at 31st March	110,266	94,963	54,049	41,136

The growth of business resulted in increases in trade receivables of Rs. 1,015 Mn and increase in credit risk resulted in increases in impairment allowance of Rs. 15.3 Mn. for the year ended 31st March 2024. (refer Note 37.1.2)

19 OTHER RECEIVABLES

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Deposits and Prepayments	69,122	60,127	12,834	1,710
Insurance Receivables	1,382	881	-	-
Other Taxes Recoverable (Note 19.1)	1,616	1,935	-	916
Sundry Receivables	163,957	9,859	2,750	8,385
Staff Loans and Advances	18,532	36,638	9,773	10,513
Less: Provision for other receivables	(106)	(3,657)	-	-
	254,503	105,783	25,357	21,524
19.1 Other Taxes Recoverable				
With holding Tax	1,019	1,019	-	-
Nation Building Tax	-	6,357	-	6,357
Value Added Tax	597	916	-	916
	1,616	8,292	-	7,273
Less: Provision for NBT Recoverable	-	(6,357)	-	(6,357)
	1,616	1,935	-	916

20 AMOUNT DUE FROM RELATED PARTIES

Lanka Dairies Limited	-	-	465,000	17,744
Stassen Exports (Private) Limited	20,344	25,628	1,136	712
Stassen Foods (Private) Limited	11,090	1,120	4,200	1,120
Aitken Cargo (Private) Limited	2,655	-	2,655	-
Ambewela Products (Private) Limited	-	-	1,687	53,011
Ambewela Livestock Company Limited	-	-	16,118	467,984
Aitken Spence PLC	268	2,004	-	1,722
Distilleries Company of Sri Lanka PLC	2,481	-	2,465	-
Maudulsima Plantation PLC	269	-	269	-
Balangoda Plantation PLC	5,165	-	5,165	-
Browns Beach Hotels PLC	-	279	-	279
United Dairies (Private) Limited	-	-	1,400,144	798,407
Indo Lanka Exports (Private) Limited	-	-	896	659
Pattipola Livestock Company Limited	-	-	137	159,055
	42,272	29,031	1,899,872	1,500,693
Less : Provision for Impairment	(222)	(222)	(289,248)	(281,546)
	42,050	28,809	1,610,624	1,219,147

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

NOTES TO THE FINANCIAL STATEMENTS

20 AMOUNT DUE FROM RELATED COMPANIES (CONTINUED)

20.1 Provision for Impairment Losses

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Balance as at 1st April	222	222	281,546	319,806
Charge/(Reversal) for the year	-	-	7,702	(38,260)
Balance As at 31st March	222	222	289,248	281,546

21 CASH AND CASH EQUIVALENTS

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Cash at Bank and in Hand	230,036	36,242	16,291	11,713
Fixed Deposit	11,491	11,039	11,491	11,039
Expected Credit loss	(5)	(5)	(5)	(5)
	241,522	47,276	27,777	22,747
Less : Bank Overdraft	(1,044,231)	(1,106,558)	(211,805)	(182,175)
Cash and cash equivalents for the purpose of cash flow statement	(802,709)	(1,059,282)	(184,028)	(159,428)

21.1 Security details over bank over draft facilities

Name of the Company	Bank	Facility Value (Rs.Mn)	Nature of Assets Pledged
Lanka Milk Foods (CWE) PLC	HNB	1,500	Investment in quoted shares of Melstacorp PLC
	HSBC	10	Inventories and Trade Receivables
Lanka Dairies Limited	HNB	300	Corporate Guarantor from Lanka Milk Foods (CWE) PLC
Ambewela Products (Private) Limited	HNB	200	Corporate guarantor from Lanka Milk Foods (CWE) PLC
Ambewela Livestock Company Limited	HNB - WATTALA	40	Corporate Guarantor from Lanka Milk Foods (CWE) PLC
	HNB - Nuwara Eliya	10	
Pattipola Livestock Company Limited	HNB - WATTALA	90	Corporate Guarantor from Lanka Milk Foods (CWE) PLC
	HNB - Nuwara Eliya	10	

22 STATED CAPITAL

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
399,980,000 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.

Stated Capital of the Company represents 399,980,000 ordinary shares. The Ordinary shares of the company subdivided by splitting each issued ordinary shares into 10 ordinary shares from 10th January 2024. Consequently the total number of existing issued ordinary shares will be increased from 39,998,000 to 399,989,000 without changing the Stated Capital of the Company which will remain at Rs. 999,950,000.

23 RESERVES

23.1 Capital reserve on revaluation of property

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

23.2 Revenue Reserves

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Dairy Development Project Reserve	110,000	110,000	110,000	110,000
Retained Earnings	6,590,107	4,842,431	5,079,023	3,328,400
	6,700,107	4,952,431	5,189,023	3,438,400

Dairy Development Project Reserve

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

Retained Earnings

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

NOTES TO THE FINANCIAL STATEMENTS

24 NET DEFERRED TAX ASSETS / (LIABILITIES)

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Balance as at the beginning	(47,852)	(76,280)	20,082	10,750
Recognised in the profit or loss				
Amounts Reversed / (Charged) during the year	51,730	270,026	6,904	4,538
Impact from changes in tax rate	-	(239,478)	-	7,167
Recognised in the Other Comprehensive income				
Amounts Reversed / (Charged) during the year	3,951	(2,120)	2,770	(2,373)
Balance as at the end	7,829	(47,852)	29,756	20,082

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

Group

As at 31 March	2024			2023		
	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	48,857	(19,101)	29,756	40,350	(20,268)	20,082
Net Deferred Tax Assets			29,756			20,082
Lanka Dairies Limited	22,928	(38,787)	(15,859)	15,908	(63,853)	(47,945)
Ambewela Products (Private) Limited	82,624	(88,692)	(6,068)	51,248	(71,237)	(19,989)
Net Deferred Tax Liabilities			(21,927)			(67,934)
	154,409	(146,580)	7,829	107,506	(155,358)	(47,852)

Company

As at 31 March	2024			2023		
	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	48,857	(19,101)	29,756	40,350	(20,268)	20,082
Net Deferred Tax Assets	48,857	(19,101)	29,756	40,350	(20,268)	20,082

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

24.2 Reconciliation of Net Deferred Tax Liabilities - Group

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

As at 31 March	2024		2023	
	Temporary Differences Rs.000's	Tax Effect Rs.000's	Temporary Differences Rs.000's	Tax Effect Rs.000's
Deferred tax liabilities On :				
On Property, plant and Equipment	(569,902)	(133,278)	(621,814)	(152,403)
On ROU assets	(66,763)	(13,378)	-	-
On Biological Assets	-	-	(14,774)	(2,955)
	(636,665)	(146,656)	(636,588)	(155,358)
Deferred tax assets On :				
On Retirement Benefit Obligations	141,151	40,631	116,693	33,413
On Lease Liability	88,686	17,768	14,248	2,855
On Inventory provision	39,672	11,137	28,716	8,565
On Trade debtor provision	87,982	25,916	72,679	20,388
On Other receivable provision	-	-	-	-
Unused Tax Losses	295,164	59,033	211,426	42,285
	652,653	154,485	443,762	107,506
	15,989	7,829	(192,826)	(47,852)

Reconciliation of Net Deferred Tax Liabilities -Company

As at 31 March	2024		2023	
	Temporary Differences Rs.000's	Tax Effect Rs.000's	Temporary Differences Rs.000's	Tax Effect Rs.000's
Deferred tax liabilities On :				
On Property, Plant and Equipment	(63,669)	(19,101)	(67,560)	(20,268)
On ROU assets	(253)	(76)	-	-
	(63,922)	(19,177)	(67,560)	(20,268)
Deferred tax assets On :				
On Retirement Benefit Obligations	90,415	27,124	74,969	22,491
On Lease Liability	310	93	53	16
On Inventory Provision	18,338	5,501	18,339	5,502
On Trade Debtor Provision	54,049	16,215	41,136	12,341
	163,112	48,933	134,497	40,350
	99,190	29,756	66,937	20,082

NOTES TO THE FINANCIAL STATEMENTS

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

24.3 Movement of Net Deferred Tax Liabilities - Group

	As at 01 April 2023	(Charged) / Credit in		As at March 2024	As at 01 April 2021	(Charged) / Credit in		As at 31 March 2023
	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	(152,403)	19,125	-	(133,278)	(101,949)	(50,454)	-	(152,403)
ROU Assets	-	(13,378)	-	(13,378)	-	-	-	-
Biological Assets	(2,955)	2,955	-	-	(32,179)	29,224	-	(2,955)
Employee Benefits	33,413	3,267	3,951	40,631	17,128	18,405	(2,120)	33,413
Unused Tax Losses	42,285	16,748	-	59,033	25,374	16,911	-	42,285
Inventory Provision	8,565	2,572	-	11,137	5,085	3,480	-	8,565
Trade Debtor Provision	20,388	5,528	-	25,916	8,991	11,397	-	20,388
Other Receivable Provision	-	-	-	-	-	-	-	-
Lease Liability	2,855	14,913	-	17,768	1,270	1,585	-	2,855
	(47,852)	51,730	3,951	7,829	(76,280)	30,548	(2,120)	(47,852)

Movement of Net Deferred Tax Assets - Company

	As at 01 April 2023	(Charged) / Credit in		As at 31 March 2024	As at 01 April 2021	(Charged) / Credit in		As at 31 March 2023
	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	(20,268)	1,167	-	(19,101)	(13,331)	(6,937)	-	(20,268)
ROU Assets	-	(76)	-	(76)	-	-	-	-
Employee Benefits	22,491	1,863	2,770	27,124	12,511	12,353	(2,373)	22,491
Unused Tax Losses	-	-	-	-	-	-	-	-
Inventory Provision	5,502	(1)	-	5,501	3,651	1,851	-	5,502
Trade Debtor Provision	12,341	3,874	-	16,215	7,911	4,430	-	12,341
On Lease Liability	16	77	-	93	8	8	-	16
	20,082	6,904	2,770	29,756	10,750	11,705	(2,373)	20,082

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

24.4 The Company has not been recognized deferred tax assets of Nil as at 31 March 2024 (31 March 2023 - Rs. 175,091,700/-), arising on unused tax losses of Nil (31 March 2023 - Rs. 583,639,000), since there is an uncertainty that future taxable profit will be available against which the Company can utilize the benefit there from.

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

Group / Company	Tax Rate (%)	
	2024	2023
Lanka Milk Foods (CWE) PLC	30%	30%
Lanka Dairies Limited	30%	30%
Ambewela Livestock Company Limited	Exempt	Exempt
United Dairies Lanka (Private) Limited	Exempt	Exempt
Pattipola Livestock Company Limited	Exempt	Exempt
Ambewela Products (Private) Limited (Note A)	20%	20%

NOTE 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.

25 RETIREMENT BENEFIT OBLIGATIONS

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Balance as at the Beginning	159,708	141,410	74,969	69,507
Interest cost	19,632	20,150	14,994	9,731
Current service cost	35,029	21,904	5,920	6,148
Actuarial (Gain)/Loss	19,966	(18,384)	9,234	(7,908)
Payments During the Year	(36,740)	(5,372)	(14,703)	(2,509)
Balance as at the End	197,595	159,708	90,414	74,969

NOTES TO THE FINANCIAL STATEMENTS

25 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Interest cost	19,632	20,150	14,994	9,731
Current service cost	35,029	21,904	5,920	6,148
Expense Recognized in Profit or Loss	54,661	42,054	20,914	15,879
Actuarial (Gain) / Loss	19,966	(18,384)	9,234	(7,908)
Expense Recognized in Other Comprehensive Income	19,966	(18,384)	9,234	(7,908)

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 2024.

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,	2024	2023
i.) Discount rate	11%-12%	20%
In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 11 - 12% p.a. (2022/2023 - 20 % p.a.) has been used to discount future retirement benefit liabilities. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates has been adjusted to remove the risk from the market interest rate in arriving at the discount rate for the purpose of valuing Employee benefit obligations as per LKAS 19.		
ii.) Annual salary increment rate	10%	10%
iii.) Retirement Age	60 years	60 years
iv.) Staff Turnover Rate	8%-19%	8%-15%

Weight average duration of define benefit obligation (Year) = 4 (2024)

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 Defined Benefit Obligation		Company 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	(8,617)	9,558	(3,460)	3,796
Effect on the Salary Escalation Rate	9,619	(8,815)	3,923	(3,635)

25 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

25.2 Maturity analysis of defined benefit payments

As at 31 March	Group	Company
	2024 Rs.000's	2024 Rs.000's
Within the next 12 months	61,908	32,366
Between 1 and 2 years	19,391	8,496
Between 2 and 5 years	36,873	18,633
Between 5 and 10 years	47,529	18,263
Beyond 10 years	31,894	12,656
	197,595	90,414

26 LOANS AND BORROWINGS

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Term Loans - Secured				
Balance as at beginning	3,306,251	2,128,646	775,000	-
Add : Loans obtained during the year	9,425,000	2,708,855	8,825,000	2,025,000
	12,731,251	4,837,501	9,600,000	2,025,000
Less : Repayments during the year	(7,920,000)	(1,531,250)	(7,195,000)	(1,250,000)
Balance as at end	4,811,251	3,306,251	2,405,000	775,000
Amount payable within one year	3,030,000	1,150,000	2,405,000	775,000
Amount Payable after one year	1,781,251	2,156,251	-	-
	4,811,251	3,306,251	2,405,000	775,000

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

Financial Institution	Purpose	Repayment Terms	Assets Pledged	Interest Rate
Hatton National Bank PLC	Company Operations	Each loan to be settled in 120 or 90 days	Investment in quoted shares of Melstacorp PLC	AWPLR
Commercial Bank of Ceylon PLC	To part finance the new farm project at Ambewela.	Remaining loan to be settled in 23 equal quarterly installements of Rs. 93.75 Mn.	Corporate Guarantee provided by Lanka Milk Foods (CWE) PLC	AWPLR + 0.5

27 TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Trade and Other Payables	878,038	639,447	231,185	92,443
Accrued Expenses	126,963	153,275	12,581	3,358
Outstanding Letters of Credit	-	-	-	-
Unclaimed Dividend	14,038	7,681	14,038	7,681
Other Taxes Payable (Note 27.1)	118,841	30,543	96,226	18,416
	1,137,880	830,946	354,030	121,898

27.1 Other Taxes Payable

Value Added Tax	89,760	13,096	75,256	13,096
APIT	3,777	6,663	3,002	2,216
WHT	10	-	-	-
Stamp Duty	130	469	66	37
SSCL	25,164	10,315	17,902	3,067
	118,841	30,543	96,226	18,416

NOTES TO THE FINANCIAL STATEMENTS

28 AMOUNTS DUE TO RELATED PARTIES

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Stassen Exports (Private) Limited	65,524	91,399	65,524	89,294
Aitken Spence PLC	5,300	703	5,300	703
Aitken Spence Cargo (Private) Limited	3,466	2,079	-	-
Ambewela Products (Private) Limited	-	-	18,126	-
Distilleries Company of Sri Lanka PLC	-	482	-	472
Maudulsima Plantation PLC	596	266	596	266
Lanka Bell (Private) Limited	81	93	81	8
Lanka Dairies Limited	-	-	10,922	-
Browns Beach Hotels PLC	26	26	-	-
	74,993	95,048	100,549	90,743

29 COMMITMENTS

29.1 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	
	2024 Rs. Mn	2023 Rs. Mn
Capital commitments approved and contracted	-	129,892

30 LEASES

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

The value of the Right-of-use assets is presented as a separate line item in the Statement of Financial Position and the correspondent lease liability has presented under 'Current liabilities and Non current liabilities' in the Statement of Financial Position as at 31 March 2024.

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 2024.

The relevant disclosures to be made under "Notes to the Financial Statements" in the Annual Financial Statements for the year ended 31 March 2024 are illustrated below.

30 LEASES (CONTINUED)

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

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Cost				
Balance as at beginning	554,216	342,413	391	391
Remeasurement	-	211,803	-	-
Balance as at end	554,216	554,216	391	391
Accumulated amortisation				
Balance as at beginning	47,699	33,559	112	84
Charge for the year	17,788	14,140	26	28
Balance as at end	65,487	47,699	138	112
Net book value as at 31 March	488,729	506,517	253	279

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

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Balance as at beginning	588,500	354,190	332	350
Remeasurement adjustment	-	211,801	-	-
Accretion of interest	80,924	62,340	45	49
Payments	(43,051)	(39,831)	(67)	(67)
Balance as at end	626,373	588,500	310	332
Current	35,755	37,913	18	20
Non- current	590,618	550,587	292	312
Balance as at 31 March	626,373	588,500	310	332

NOTES TO THE FINANCIAL STATEMENTS

30.3 Maturity analysis - contractual undiscounted cash flows

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Less than one year	43,052	39,831	67	67
One to five years	203,920	203,920	335	335
More than five years	1,213,192	1,256,244	871	938
Total undiscounted liabilities as at 31 March	1,460,164	1,499,995	1,273	1,340

30.4 Amounts Recognised in Statement of Profit or Loss

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Leases under SLFRS 16				
Depreciation of Right-of-use assets	17,788	14,140	26	28
Interest expense on lease liabilities	80,924	62,340	45	49
	98,712	76,480	71	77

30.5 Amounts Recognised in Statement of Cash Flows

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Total cash outflow for leases	(43,051)	(39,831)	(67)	(67)
	(43,051)	(39,831)	(67)	(67)

31. PRINCIPAL SUBSIDIARIES

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

32. CONTINGENT LIABILITIES

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

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

Name of the Company	Name of the Bank	Amount of the Guarantee Rs. Mn
Lanka Dairies Limited	Hatton National Bank	425
Ambewela Products (Private) Limited	Hatton National Bank	250
Ambewela Livestock Company Limited	Hatton National Bank	60
Pattipola Livestock Company Limited	Hatton National Bank	110
United Dairies Lanka (Private) Limited	Hatton National Bank	1,325
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.

33. EVENTS OCCURRING AFTER THE REPORTING DATE

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

34. SEGMENTAL REPORTING

Reportable segment

Powdered Milk
Liquid Milk and Others Operating
Agriculture
Trading

Operations

Importing, packaging and distribution of milk allied products
Chain of Packing and selling of UHT products, "Daily", "Ambewela Farm Fresh Milk" and fruit juice.
Rearing of cattle to produce and sale of cow milk and agricultural development of the farm.
Distribution of Happy Cow Cheese, Red Bull and DANO.

As at 31 March	Powdered Milk		Trading		Liquid Milk and Others		Agriculture		Elimination		Group	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Total Revenue	3,866,954	2,357,891	2,811,382	1,714,252	11,220,978	11,800,034	6,244,386	2,660,390	(7,439,668)	(4,361,066)	16,704,032	14,171,501
Profit or loss from operation	612,271	302,712	445,138	220,080	155,842	654,510	573,071	33,952	(20,199)	(38,320)	1,766,123	1,172,934
Financing Income/(Cost)	697,274	571,161	506,938	415,249	(67,199)	(123,864)	(609,734)	(773,058)	-	-	527,279	89,488
Income tax Expenses	(30,432)	6,778	(22,125)	4,927	(25,334)	(84,922)	-	-	-	-	(77,891)	(73,217)
Profit/(loss) for the Year	1,279,113	880,651	929,951	640,256	63,309	445,724	(36,663)	(739,106)	(20,199)	(38,320)	2,215,510	1,189,205
Segment Asset	13,612,709	8,358,683	9,896,812	6,076,991	10,396,354	4,899,876	9,512,825	7,933,859	(13,646,210)	(6,142,945)	29,772,490	21,126,464
Segment Liabilities	1,860,886	720,960	1,352,915	524,157	1,846,587	1,420,278	6,733,673	7,111,632	(3,827,868)	(3,354,802)	7,966,193	6,422,225
Segment Net Assets	11,751,823	7,637,723	8,543,897	5,552,834	8,549,767	3,479,598	2,779,152	822,227	(9,818,342)	(2,788,143)	21,806,296	14,704,239
Segment Capital Expenditure	2,547	992	1,852	722	11,831	32,301	722,119	4,380,142	-	-	738,349	4,414,157
Depreciation on Property, plant and equipment	10,218	10,687	7,429	7,770	140,626	181,472	221,725	146,588	-	-	379,998	346,517

35. 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:

35.1 Transactions with Subsidiary Companies

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2024 Rs.	2023 Rs.
Lanka Dairies Ltd.	Mr.D.H.S.Jayawardena	Sale of Goods & Other	654,078,176	501,910,857
	Mr.C.R.Jansz	Settlement of Goods Sales	200,000,000	538,485,000
	Mr.D.Hasitha S.Jayawardena	Material Purchase	-	15,134,917
	Ms.D.S.T. Jayawardena	Settlement for Material Transfer	-	15,134,917
		New shares issued	5,010,000,000	-
		Received of Opening Balance Settlement	17,744,125	-
Ambewela Livestock Company Limited	Mr.D.H.S.Jayawardena	Expenses Reimbursement	151,278	167,044
	Mr.C.R.Jansz	Sale of Goods & Other	4,837,516	4,637,881
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods Sales	4,409,513	5,673,240
	Ms.D.S.T. Jayawardena	Received of Opening Balance Settlement	452,445,550	-
		Fund Transfers	-	158,000,000
		Transfer of Investment of Subsidiaries	51,136,972	-
		Transfer of Provision for investment	51,136,972	-
Pattipola Livestock Company Limited	Mr.D.H.S.Jayawardena	Expenses Reimbursement	154,497	169,619
	Mr.C.R.Jansz	Sale of Goods & Other	4,059,029	4,390,858
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods Sales	3,926,081	4,390,858
	Ms.D.S.T. Jayawardena	Fund Transfers	-	12,000,000
		Received of Opening Balance Settlement	159,205,440	-
		Transfer of Investment of Subsidiaries	46,814,790	-
		Transfer of Provision for investment	46,814,790	-
Ambewela Products (Private) Limited	Mr.D.H.S.Jayawardena	Sale of Goods & Other	167,860,425	236,049,999
	Mr.C.R.Jansz	Expense Reimbursement	1,649,857	21,793,760
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods & Other Sales	238,960,426	242,258,209
	Ms.D.S.T. Jayawardena	Granted Short Term Loan	-	380,000,000
		Charged Short Term Loan Interest	-	27,613,748
		Received Loan Interest Settlement	-	28,375,009
		Settlement of Short Term Loan	-	580,000,000
		Fund Transfers	-	15,000,000
		Material Purchase	95,717	-
		Settlement for Material Transfer	95,717	-
		Transfer of Investment of Subsidiaries	1,010,000,000	-

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.1 Transactions with Subsidiary Companies

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2024 Rs.	2023 Rs.
Indo Lanka Exports (Private) Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	236,886	37,879
	Mr.C.R.Jansz		-	-
United Dairies Lanka (Pvt) Ltd	Mr.D.H.S.Jayawardena	Paid Investment on Share Capital	2,000,000,000	1,950,000,000
	Mr.C.R.Jansz	Expenses Reimbursement	316,212	2,316,932
	Mr.D S K Amarasekara	Financial Arrangement	1,076,862,922	1,750,723,976
	Dr.A Shakthevale	Loan Interest Income	43,557,524	-
	Mr.D.Hasitha S.Jayawardena	Received of Opening Balance Settlement	519,000,000	-
	Ms.D.S.T. Jayawardena	Material Purchase	3,137,078	-
		Issue Share	2,000,000,000	-
		Settlement for Material Transfer	3,137,078	-
		Transfer of Investment of Subsidiaries	4,000,000,000	-

35.2 Transaction with Other Related Companies:

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2024 Rs.	2023 Rs.
Milford Exports (Ceylon) (Private) Limited	Mr.D.H.S.Jayawardena	Management Fee	5,000,000	5,000,000
	Mr.D.Hasitha S.Jayawardena	Directors' Fee	1,500,000	1,500,000
	Mr.C.R.Jansz	Payment for Services	6,500,000	6,500,000
	Ms.D.S.T. Jayawardena	Dividend Paid	151,719,902	100,699,050
Stassen Exports (Private) Limited	Mr.D.H.S.Jayawardena	Reimbursement Expenses	-	10,837,439
	Mr.D.Hasitha S.Jayawardena	Services Obtained & Others	30,215,647	17,560,294
	Ms.D.S.T. Jayawardena	Sale of Goods	29,323,238	57,096,230
	Mr.C.R.Jansz	Purchase Happy Cow & Energy Drinks	711,274,495	827,951,591
		Services Rendered and Others	20,126,154	10,800,000
		Settlement of Goods Sales	48,056,395	80,072,672
		Settlement of Purchases & Other	767,372,028	924,760,990
Distilleries Company of Sri Lanka PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	21,457,814	18,178,560
	Mr.C.R.Jansz	Dividend Income Received	148,463,581	123,051,498
	Mr.D.Hasitha S.Jayawardena	Services Obtained & Others	107,460	471,500
		Settlement of Goods Sales	18,992,531	18,178,560
		Settlement of Services Obtained	578,960	15,000

35. RELATED PARTY DISCLOSURES (CONTINUED)

35.2 Transaction with Other Related Companies:

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2024 Rs.	2023 Rs.
Aitken Spence PLC	Mr.D.H.S.Jayawardena	Sale of Goods	32,787,689	14,847,523
	Ms.D.S.T. Jayawardena	Settlement of Goods Sales	27,051,560	15,539,340
	Mr.C.R.Jansz	Services Obtained & Others	32,351,946	10,659,836
		Related Party Settlement	31,160,630	8,939,214
Madulsima Plantations PLC	Mr.D.H.S.Jayawardena	Sale of Goods	190,080	583,555
	Mr.D S K Amarasekara	Services Obtained & Others	1,652,050	588,850
	Mr.D.Hasitha S.Jayawardena	Settlement of Goods Sales	190,080	583,555
	Dr.A Shakthevale	Related Party Settlement	1,590,458	1,047,100
	Mr.C.R.Jansz			
Lanka Bell Limited	Mr.D.H.S.Jayawardena	Telephone Charges	808,879	633,650
	Mr.C.R.Jansz	Related Party Settlement	889,738	544,254
Melstacrop PLC	Mr.D.H.S.Jayawardena	Dividend Paid	145,047,636	96,270,555
	Mr.C.R.Jansz	Dividend Income Received	1,363,577,080	1,024,960,500
	Mr.D.Hasitha S.Jayawardena			
	Ms.D.S.T. Jayawardena			
Browns Beach Hotels PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	2,945,222	2,389,831
	Ms.D.S.T. Jayawardena	Settlement of Goods Sales	3,224,584	2,837,960
Balangoda Plantations PLC	Mr.D.H.S.Jayawardena	Services Provided & Other	5,164,748	346,205
	Mr.C.R.Jansz	Settlement of Service Rendered	-	346,205
	Mr.D.Hasitha S.Jayawardena			
	Dr.A Shakthevale			
	Mr.D S K Amarasekara			
Splendor Media (Pvt) Ltd	Ms.D.S.T. Jayawardena	Services Obtained & Others	-	3,274,514
		Related Party Settlement	-	3,153,764
		Sale of Goods	-	43,056
		Settlement of Goods Sales	-	43,056

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTY DISCLOSURES

35.3 Terms and conditions of transactions with related party

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

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

35.4 Recurrent Transactions

There are no Recurrent Related Party Transaction where the Aggregate value of the recurrent Related Party Transaction Exceeds 10% of the group gross revenue /income (or equivalent term in the income Statement and case of group entity consolidated revenue) as per the latest Audited Financial Statement.

35.5 Transactions with Key Management Personnel

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

35.6 Loans to Directors

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

35.7 Key Management Personnel Compensation

As at 31 March	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Short-Term Employee Benefits	1,500	1,500	1,500	1,500
	1,500	1,500	1,500	1,500

35.8 Other Transactions with Key Management Personnel

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

35.9 Non Recurrent Transactions

The Non recurrent related party Transaction where the aggregate value of the non-Recurrent related Party transaction exceeds 10% of the Equity over 5% of the total Assets of the listed entity whichever is lower as per the Audited Financial Statements

Name of Related Party	Relationship	Value of the Related Party Transaction Entered in the during the year	Value of Related Party Transaction as % of Equity and % Total Assets	Terms and Condition of the related Party Transaction	The Rationale for entering in to the Transaction
Lanka Dairies Limited	wholly owned Subsidiary	5,010,000,000	23% of Equity and 17% of Total Assets	Investment of share Transfer to Lanka Dairies Limited	In accordance with the Companies Strategic decision to Change Group Structure
United Dairies Lanka (Pvt) Ltd	wholly owned Subsidiary	4,000,000,000	18% of Equity and 13% of Total Assets	Investment of share Transfer to Lanka Dairies Limited	In accordance with the Companies Strategic decision to Change Group Structure

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	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Trade Receivables	2,048,737	1,033,297	756,650	143,574
Other Receivables (Note a.)	251,611	106,624	25,357	20,608
Amounts Due from Related Parties	42,272	29,031	1,899,872	1,500,693
Cash and Cash Equivalents (Note b.)	236,526	42,280	26,113	21,083
	2,579,145	1,211,232	2,707,992	1,685,958

Note a.

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

Note b.

Cash in Hand Balance has been excluded

36.1.1 Trade and Other Receivables and Contract Asset

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1.2 Expected Credit Loss

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

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables for customers as at 31 March 2024.

As at 31 March 2024 Group	Weighted Average Loss Rate	Gross Carrying Amount Rs.000's	Impairment Loss Allowance Rs.000's	Credit Impaired
Past due 0-60 days	0.75%	1,629,131	(12,275)	No
Past due 60-180 days	3.68%	304,689	(11,204)	No
Past due 180-365 days	47.44%	53,524	(25,393)	No
More than one year	100.00%	61,393	(61,393)	Yes
		2,048,737	(110,266)	

As at 31 March 2024 Company	Weighted Average Loss Rate	Gross Carrying Amount Rs.000's	Impairment Loss Allowance Rs.000's	Credit Impaired
Past due 0-60 days	0.57%	667,206	(3,798)	No
Past due 60-180 days	12.48%	23,575	(2,943)	No
Past due 180-365 days	37.61%	29,749	(11,188)	No
More than one year	100.00%	36,120	(36,120)	Yes
		756,650	(54,049)	

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	2024 Rs.000's	2023 Rs.000's
Balance at 1st April	94,963	73,949
Provision for the year	15,303	21,014
Balance at 31st March	110,266	94,963

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 Credit Risk (Continued)

36.1.3 Investments

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

36.1.4 Cash and Cash Equivalents

The Group has a number of bank deposits in Sri Lankan rupees as at 31 March 2024. These deposits have been placed in several banks in order to minimise the credit risk. In order to further minimise the credit risk, the Group's exposure and credit ratings of banks are regularly monitored and a diversified investment portfolio is maintained.

As at 31 March Fitch Ratings	2024			
	Group		Company	
	Rs.'000 Rs.'000	Rating % of Total	Rs.'000 Rs.'000	Rating % of Total
A(Ika)	215,995	94.69%	13,834	53.73%
AAA(Ika)	137	0.06%	47	0.18%
A-(Ika)	476	0.21%	374	1.45%
BBB+	11,491	5.04%	11,491	44.63%
	228,099	100.00%	25,746	100.00%

36.1.5 Guarantees

The Group's policy is to provide corporate guarantees to its subsidiaries. Following represents all the corporate guarantees provided by the parent to its subsidiaries as at the reporting date (Refer Note 32)

Name of the Company	Name of the Bank	Amount of the Guarantee Rs.Mn
Lanka Dairies Limited	Hatton National Bank	425
Ambewela Products (Private) Limited	Hatton National Bank	250
Ambewela Livestock Company Limited	Hatton National Bank	60
Pattipola Livestock Company Limited	Hatton National Bank	110
United Dairies Lanka (Private) Limited	Hatton National Bank	1,325
United Dairies Lanka (Private) Limited	Commercial Bank	3,000

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.2 Liquidity Risk

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

The following are the contractual maturities of financial liabilities.

Group

As at 31 March	2024					
	Contractual Cash Flows					
	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	892,076	892,076	892,076	-	-	-
Amounts Due to Related Parties	74,993	74,993	74,993	-	-	-
Interest bearing loans and borrowings	4,811,251	4,811,251	1,555,000	1,287,501	187,500	1,781,250
Lease Liabilities	626,373	1,460,164	-	42,985	67	1,417,112
Bank Overdraft	1,044,231	1,044,231	1,044,231	-	-	-
	7,448,924	8,282,715	2,261,301	2,635,485	187,567	3,198,362

Company

As at 31 March	2024					
	Contractual Cash Flows					
	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	245,223	245,223	245,223	-	-	-
Amounts Due to Related parties	100,549	100,549	100,549			
Interest bearing loans and borrowings	2,405,000	2,405,000	1,305,000	1,100,000	-	-
Lease Liabilities	310	1,273	-	-	67	1,206
Bank Overdraft	211,805	211,805	211,805			
	2,962,887	2,963,850	1,862,577	1,100,000	67	1,206

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

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 Market Risk

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

36.3.1 Currency Risk

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

36.3.1.1 Exposure to Currency Risk

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

Group

As at 31 March	Currency	2024	2023
Trade and Other Receivables	USD	348,786	164,385
Trade and Other Payables	USD	-	(5,019)
Gross statement of financial position exposure		348,786	159,366

Company

As at 31 March	Currency	2024	2023
Trade and Other Payables	USD	-	-
Gross statement of financial position exposure		-	-

The following significant exchange rates were applicable during the year;

As at 31 March	Average rate		Reporting date spot rate	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
USD	317.97	358.05	301.18	327.28

NOTES TO THE FINANCIAL STATEMENTS

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 Market risk (Continued)

36.3.1.2 Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD/ EUR at 31st March 2024 would have increased/ (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

31st March 2024	Strengthening		Weakening	
	Profit or Loss Rs. 000	Equity Rs. 000	Profit or Loss Rs. 000	Equity Rs. 000
31 March 2024				
USD (15% movement)	(15,757)	(15,757)	15,757	15,757
31st March 2023				
USD (15% movement)	(7,824)	(7,824)	7,824	7,824

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	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Variable Rate Instruments				
Financial Liabilities				
Interest bearing loans and borrowings	4,811,251	3,306,251	2,405,000	775,000
Bank Overdraft	1,044,231	1,106,558	211,805	182,175
	5,855,482	4,412,809	2,616,805	957,175

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	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
+100 basis points	(32,005)	(44,128)	(2,118)	(9,572)
-100 basis points	32,005	44,128	2,118	9,572

36 FINANCIAL RISK MANAGEMENT (CONTINUED)

36.4 Operational Risk

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

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

36.5 Equity Price Risk

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

AS AT 31 MARCH 2024 Group/Company	-10% Rs. Rs.000's	2024 Rs. Rs.000's	+ 10% Rs. Rs.000's
Financial Assets measured at FVTOCI	13,115,445	14,572,717	16,029,989
Financial Assets measured at FVTPL	219,081	243,423	267,765
	13,334,526	14,816,140	16,297,754

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 2024	Group		Company	
	2024 Rs.000's	2023 Rs.000's	2024 Rs.000's	2023 Rs.000's
Total Liabilities	7,966,193	6,422,225	3,213,801	1,245,117
Less:				
Cash and Cash Equivalents	(241,522)	(47,276)	(27,777)	(22,747)
Net Debts	7,724,671	6,374,949	3,186,024	1,222,370
Total Equity	21,806,297	14,704,239	20,295,720	13,190,557
Net Debt to Equity Ratio	0.35	0.43	0.16	0.09

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

NOTES TO THE FINANCIAL STATEMENTS

37 FAIR VALUE MEASUREMENT

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

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

Level 2 : Valuation techniques based on observable inputs.

Level 3 - Valuation techniques using significant unobservable inputs

37.1 Financial Instruments Carried at Fair Value and Valuation Bases

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

AS AT 31 MARCH 2024	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Financial Assets measured at FVTOCI	14,572,717	-	-	14,572,717
Financial Assets measured at FVTPL	243,423	-	-	243,423
	14,816,140	-	-	14,816,140

AS AT 31 MARCH 2023	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Financial Assets measured at FVTOCI	9,218,177	-	-	9,218,177
Financial Assets measured at FVTPL	162,302	-	-	162,302
	9,380,479	-	-	9,380,479

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 2024	Group		Company	
	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000
Assets				
Cash and Cash Equivalents	241,522	241,522	27,777	27,777
Trade and Other Receivables	2,191,358	2,191,358	727,958	727,958
Amounts due from Related Companies	42,050	42,050	1,610,624	1,610,624
Liabilities				
Bank Overdraft	1,044,231	1,044,231	211,805	211,805
Trade and Other Payables	1,019,039	1,019,039	257,804	257,804
Amounts Due to Related Parties	74,993	74,993	100,549	100,549
Lease Liabilities	626,373	626,373	310	310
Loans and Borrowings	4,811,251	4,811,251	2,405,000	2,405,000

37 FAIR VALUE MEASUREMENT (CONTINUED)

Cash and cash equivalents

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

Trade and Other Receivables/Amount Due from Related Parties

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

Trade and other Payables/Amount due to Related Parties

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

Loans and Borrowings/Bank Overdraft

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

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

Group

Financial Assets	Classification		
	Amortised Cost Rs.000's	Fair Value Through Profit or Loss Rs.000's	Fair Value Through Other Comprehensive Rs.000's
Trade and Other Receivables	2,191,358	-	-
Amount due from Related Parties	42,050	-	-
Cash and Cash Equivalent	241,522	-	-
Financial Assets measured at FVTOCI	-	-	14,572,717
Financial Assets measured at FVTPL	-	243,423	-

Financial Liabilities	Classification	
	Fair Value Through Profit or Loss Rs.000's	Amortized Cos Rs.000's
Trade and Other Payables	-	1,019,039
Interest Bearing Borrowings	-	4,811,251
Amounts Due to Related Parties	-	74,993
Bank Overdraft	-	1,044,231
Lease Liabilities	-	626,373

NOTES TO THE FINANCIAL STATEMENTS

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

Company

Financial Assets	Classification		
	Amortised Cost Rs.000's	Fair Value Through Profit or Loss Investments Rs.000's	Fair Value Through Other Comprehensive Income Investments Rs.000's
Trade and Other Receivables	727,958	-	-
Amount due from Related Parties	1,610,624	-	-
Cash and Cash Equipment's	27,777	-	-
Financial Assets measured at FVTOCI	-	-	14,572,717
Financial Assets measured at FVTPL	-	243,423	-

Financial Liabilities	Classification	
	Fair Value Through Profit or Loss Investments Rs.000's	Amortised Cost Rs.000's
Trade and Other Payables	-	257,804
Interest Bearing Borrowings	-	2,405,000
Amounts Due to Related Parties	-	100,549
Lease Liability	-	310
Bank Overdraft	-	211,805

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 -399,980,000

2 COMPOSITION ORDINARY SHAREHOLDERS

Category	No of Share Holders 31/03/2024	Total Shares 31/03/2024	Percentage (%) 31/03/2024	No of Share Holders 31/03/2023	Total Shares 31/03/2023	Percentage (%) 31/03/2023
1-1000	2,713	1,214,140	0.30	3,707	806,466	2.02
1001-10000	1,736	7,823,470	1.96	772	2,640,499	6.60
10001-100000	804	26,816,569	6.70	154	4,297,558	10.74
100001-1000000	183	47,788,988	11.95	20	5,990,863	14.98
1,000,001 & Over	20	316,336,833	79.09	2	26,262,614	65.66
Total	5,456	399,980,000	100.00	4,655	39,980,000	100.00

3 ANALYSIS OF ORDINARY SHARES

Category	No of Share Holders 31/03/2024	Total Shares 31/03/2024	Percentage (%) 31/03/2024	No of Share Holders 31/03/2023	Total Shares 31/03/2023	Percentage (%) 31/03/2023
Individuals -Local	5,054	72,281,491	18.07	4,330	7,816,415	19.54
Individuals - Overseas	48	4,499,186	1.12	44	546,321	1.37
Companies - Local	351	318,387,803	79.61	279	31,354,112	78.39
Companies - Overseas	3	4,811,520	1.20	2	281,152	0.70
Total	5,456	399,980,000	100.00	4,655	39,998,000	100.00

4 DIRECTORS' AND CEO'S SHAREHOLDINGS

The Directors' and CEO'S shareholdings in the Company were as follows.

As at 31 March Name of the Directors and CEO	Company	
	2024 No Of Shares	2023 No Of Shares
Mr. D.H.S Jayawardena	Nil	Nil
Mr. C.R Jansz	Nil	Nil
Mr. D.S.K Amarasekera	Nil	Nil
Dr. A. Shakthevale	Nil	Nil
Mr. D. Hasitha Stassen Jayawardena	Nil	Nil
Ms. D.S.T Jayawardena	29340	2934
Chief Executive Officer		
Mr. Sasanka Perera	Nil	Nil

5 VALUE PER SHARE

		Company	
		2023/24	2022/23
Earnings/(Loss)	Rs.	5.52	3.80
Dividend	Rs.	0.63	0.50
Net Assets	Rs.	50.74	32.98

SHAREHOLDER AND INVESTOR INFORMATION

6 MARKET VALUE PER SHARE

		Company	
		2023/24 Rs.	2022/23 Rs.
Highest Price during the year	Rs.	248.25	175.00
Lowest Price during the year	Rs.	19.90	99.00
Value as at Last trading date	Rs.	27.20	140.75

7 TWENTY FIVE MAJOR SHARE HOLDERS

	NAME	As at 31 March 2024		NAME	As at 31 March 2023	
		No of Shares	% On Total Issued Capital		No of Shares	% On Total Issued Capital
1	Milford Exports (Ceylon) (Pvt) Limited	134,265,400	33.57	Milford Exports (Ceylon) (Pvt) Limited	13,426,540	33.57
2	Melstacorp PLC	128,360,740	32.09	Melstacorp PLC	12,836,074	32.09
3	Senkadagala Finance PLC	8,320,940	2.08	Senkadagala Finance PLC	750,398	1.88
4	Sarasvathi Vasudevan	6,160,000	1.54	Employees Trust Fund Board	575,787	1.44
5	Employees Trust Fund Board	5,700,202	1.43	Vasudevan Saraswathi	513,007	1.28
6	Hatton National Bank PLC-Senfin Growth Fund	5,379,570	1.34	Hatton National Bank PLC-Senfin Growth Fund	509,073	1.27
7	Seylan Bank PLC/Arrc Capital (Pvt) Ltd	4,572,318	1.14	E.W. Balasuriya & Co. (Pvt) Ltd	457,547	1.14
8	E.W. Balasuriya & Co. (Pvt) Ltd Acc No 01	4,173,470	1.04	Yusuf Husseinally Abdulhussein	392,295	0.98
9	Hallsville Frontier Equities Ltd.	2,492,210	0.62	Rukaiya Husseinally Abdulhussein	383,000	0.96
10	Commercial Bank Of Ceylon PLC A/C No. 04	2,250,000	0.56	Amana Bank PLC/Hi-Line Trading Pvt Ltd	371,533	0.93
11	Emfi Capital Limited	2,000,000	0.50	Commercial Bank Of Ceylon PLC A/C No. 04	250,000	0.63
12	Mss Investments (Private) Limited	1,708,180	0.43	Hallsville Trading Group Inc.	249,221	0.62
13	Radhakrishnan Maheswaran (Deceased)	1,559,290	0.39	People'S Leasing & Finance PLC/Mr.H.M. Abdulhussein	200,000	0.50
14	Sampath Bank PLC/Mr. Gerard Shamil Niranjan Peiris & Mrs. Indrani Roshani Peiris	1,521,455	0.38	Husseinally Mohsinally Abdulhussein	196,534	0.49
15	Amana Bank PLC/Hi-Line Trading Pvt Ltd	1,520,313	0.38	Mark Anthony Theodoor Raaymakers	194,993	0.49
16	Govindasamy Anuragavan	1,500,000	0.38	Radhakrishnan Maheswaran	155,929	0.39
17	Manickam Vallipuram Theagarajah	1,409,330	0.35	Meenambigai Priyadarshini Radhakrishnan	150,000	0.38
18	Mark Anthony Theodoor Raaymakers	1,404,930	0.35	Andal Radhakrishnan	143,959	0.36
19	Patikiri Koralalage Don Jeewantha Prabath Kulasinghe	1,021,005	0.26	Manickam Vallipuram Theagarajah	140,933	0.35
20	Dinesh Nagendra Sellamuttu	1,017,480	0.25	Gulamhussein Moshinally Abdulhussein	132,622	0.33
21	Meenambigai Priyadarshini Radhakrishnan	1,000,000	0.25	Kalin Holdings (Pvt) Ltd	122,284	0.31
22	Andal Radhakrishnan	974,590	0.24	Dinesh Nagendra Sellamuttu	101,748	0.25
23	Suranjan Praveen Perera	968,980	0.24	Damian Amal Cabraal	100,000	0.25
24	Arunasalam Sithampalam	911,600	0.23	Mohamed Siddeek Mohamed Ali	95,688	0.24
25	Yusuf Husseinally Abdulhussein	860,000	0.22	Sakuvi Investment Trust (Private) Limited	92,000	0.23
	Sub Total	321,052,003	80.27	Sub Total	32,541,165	81.36
	Other Shareholders	78,927,997	19.73	Other Shareholders	7,456,835	18.64
	Grand Total	399,980,000	100.00	Grand Total	39,998,000	100.00

8 PUBLIC SHAREHOLDINGS

	2024.03.31	2023.03.31
Number of Shares held by Public	137,353,132	13,731,313
Numbers of Public Shareholders	5453	4652
Percentge of Shares held by Public	34.34%	34.33%
Float Adjusted Market Capitalisation (Rs.000)	3,736,005	1,932,682

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	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
OPERATING RESULT										
Revenue	16,704,032	14,171,501	9,771,539	7,597,192	6,703,854	5,385,534	5,416,547	5,250,208	5,048,510	3,952,277
Gross Profit	2,663,808	1,778,903	1,460,207	1,077,218	663,230	487,442	938,579	789,861	733,442	310,735
Profit/(Loss)before Tax	2,293,401	1,262,422	1,097,589	833,946	400,368	(44,712)	631,766	548,704	119,483	(33,302)
Taxation	(77,891)	(73,217)	(33,086)	7,818	(109,705)	(81,915)	(51,235)	(6,748)	1,114	31,571
Profit/(Loss) after Tax	2,215,510	1,189,205	1,064,503	841,764	290,663	(126,627)	580,531	541,956	120,597	(1,731)
Profit/(Loss)Attributable to Equity Holder	2,215,668	1,189,319	1,065,100	841,842	301,252	(126,312)	580,784	542,179	126,988	2,885
Dividends	251,987	199,990	299,985	199,990	99,995	49,998	99,995	99,995	49,998	49,998
STATEMENT OF FINANCIAL POSITION										
Property,Plant and Equipment	5,552,970	5,230,734	4,497,497	3,050,465	2,026,997	1,287,633	1,473,279	1,564,886	1,584,723	1,789,252
Short-term Investment	243,423	162,302	153,778	197,002	209,061	209,839	270,283	244,838	247,029	305,929
Current Assets	6,274,282	4,144,431	3,784,590	2,457,575	2,257,454	2,448,635	2,195,399	1,838,876	1,790,653	1,968,720
Total Assets	29,772,490	21,126,464	16,733,674	14,501,150	12,954,243	10,617,378	13,793,479	12,958,922	11,656,394	13,306,902
Total Equity	21,806,297	14,704,239	11,433,332	11,265,999	10,412,933	8,856,988	12,470,426	11,811,602	10,158,993	11,394,013
Non Current Liabilities	2,591,391	2,934,480	2,301,900	1,799,149	971,784	476,154	494,501	514,450	556,378	594,848
Current Liabilities	5,374,802	3,487,745	2,998,442	1,436,002	1,569,526	1,284,236	828,552	632,870	941,023	1,318,041
RATIOS										
Earnings per shares(Rs)***	5.54	2.97	2.66	2.10	0.75	(0.32)	1.45	1.36	0.32	0.01
Dividend per shares (Rs)***	0.63	0.50	0.75	0.50	0.25	0.12	0.25	0.25	0.12	0.12
Dividend cover (Times)	8.79	5.94	3.55	4.21	3.01	(2.53)	5.81	5.42	2.54	0.06
Dividend payout Ratio % ***	11.38	16.84	28.20	23.81	33.34	(38.71)	17.25	18.39	37.50	1,200.00
Price earning ratio (Times)	4.91	4.74	4.98	7.14	9.83	(34.81)	10.89	8.63	36.12	2,000.00
Total assets to equity (Times)	1.37	1.44	1.46	1.29	1.24	1.20	1.11	1.10	1.15	1.17
Net assets per Share (Rs) ***	54.52	36.76	28.58	28.17	26.03	22.11	31.15	29.50	25.37	28.44
Market Value per share (as at 31st March)	27.20**	14.08**	132.75*	150.25*	74.00*	110.00*	158.10*	117.00*	114.50*	140.00*
Return on equity (%)	10.16	8.09	9.32	7.47	2.89	(1.43)	4.66	4.59	1.19	(0.02)
Return on Total Assets (%)	7.45	5.63	6.37	5.80	2.24	(1.19)	4.21	4.18	1.04	(0.02)
Gross Profit Ratio (%)	15.95	12.56	14.95	14.18	9.89	9.05	17.33	15.04	14.53	7.87
Net Profit/(Loss) Ratio (%)	13.27	8.40	10.90	11.08	4.34	(2.35)	10.72	10.32	2.39	(0.05)
Current Ratio (Times)	1.17	1.19	1.26	1.71	1.44	1.91	2.65	2.91	1.90	1.49
Liquidity Ratio (Times)	0.51	0.39	0.77	0.87	0.79	0.80	1.31	1.61	1.02	0.71

* Market price before shares spilt of 10 Shares for every one ordinary share held

** Market price after shares spilt of 10 Shares for every one ordinary share held

*** Earning per share, Dividend per share and Net asset per share in all reporting periods were adjusted based on post sub-division of 10 shares for every one ordinary share held.

TEN YEAR SUMMARY

Company - Rs.000	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
OPERATING RESULT										
Revenue	6,678,336	4,072,143	3,423,954	3,101,450	3,030,915	1,922,137	1,840,687	2,053,427	2,394,015	1,957,046
Gross Profit	1,659,870	897,834	170,947	120,289	156,610	26,721	100,936	154,936	222,274	63,033
Profit/(Loss)before Tax	2,261,621	1,509,202	463,618	307,486	182,385	115,405	278,346	216,919	(37,470)	22,029
Taxation	(52,557)	11,705	3,261	(14,436)	(52,449)	(13,922)	(1,945)	16,925	20,014	46,264
Profit/(Loss) after Tax	2,209,064	1,520,907	466,879	293,050	129,936	101,483	276,401	233,844	(17,456)	68,293
Dividends	251,987	199,990	299,985	199,990	99,995	49,998	99,995	99,995	49,998	49,998
STATEMENT OF FINANCIAL POSITION										
Property,Plant and Equipment	95,760	109,008	125,751	143,283	136,964	136,226	143,342	162,710	186,883	214,959
Short-term Investment	243,423	162,302	153,778	197,002	209,061	209,839	270,283	244,838	247,029	305,929
Current Assets	3,793,792	2,070,138	3,188,130	1,895,777	1,549,565	1,608,901	1,582,904	1,784,555	1,567,493	2,038,196
Total Assets	23,509,521	14,435,674	11,242,692	10,693,007	10,213,076	9,015,246	12,077,838	11,780,962	10,405,826	12,192,882
Total Equity	20,295,720	13,190,557	9,598,677	10,034,770	9,716,254	8,319,369	11,701,440	11,344,714	10,000,059	11,370,598
Non Current Liabilities	90,706	75,281	69,797	86,459	63,695	58,007	62,227	51,429	44,765	38,826
Current Liabilities	3,123,095	1,169,836	1,574,218	571,778	433,127	637,870	314,171	384,819	361,002	783,458
RATIOS										
Earnings per shares(Rs)***	5.52	3.80	1.17	0.73	0.32	0.25	0.69	0.58	(0.04)	0.17
Dividend per shares (Rs)***	0.63	0.50	0.75	0.50	0.25	0.12	0.25	0.25	0.12	0.12
Dividend cover (Times)	8.76	7.60	1.56	1.47	1.30	2.03	2.76	2.34	(0.35)	1.37
Dividend payout Ratio % ***	11.42	13.16	64.01	68.49	78.12	48.00	36.23	43.10	(300.00)	70.59
Price earning ratio (Times)	4.93	3.71	11.37	20.50	22.78	43.30	22.88	20.01	(260.22)	81.87
Total assets to equity (Times)	1.16	1.09	1.17	1.07	1.05	1.08	1.03	1.04	1.04	1.07
Net assets per Share (Rs) ***	50.74	32.98	24.00	25.09	24.29	20.80	29.25	28.36	25.00	28.42
Market Value per share (as at 31st March)	27.20**	14.08**	132.75*	150.25*	74.00*	110.00*	158.10*	117.00*	114.50*	140.00*
Return on equity (%)	10.89	11.53	4.87	2.92	1.34	1.22	2.37	2.06	(0.18)	0.61
Return on Total Assets (%)	9.40	10.54	4.16	2.74	1.27	1.12	2.29	1.98	(0.18)	0.56
Gross Profit Ratio (%)	24.86	22.05	5.00	3.88	5.17	1.39	5.48	7.55	9.29	3.22
Net Profit/(Loss) Ratio (%)	33.08	37.35	13.64	9.45	4.28	5.28	15.02	11.39	(0.73)	3.49
Current Ratio (Times)	1.21	1.77	2.02	3.32	3.58	2.52	5.04	4.64	4.34	2.6
Liquidity Ratio (Times)	0.84	1.31	1.77	2.55	2.75	1.49	3.45	3.95	3.4	1.81

* Market price before shares split of 10 Shares for every one ordinary share held

** Market price after shares split of 10 Shares for every one ordinary share held

*** Earning per share, Dividend per share and Net asset per share in all reporting periods were adjusted based on post sub-division of 10 shares for every one ordinary share held.

NOTICE OF MEETING

Notice is hereby given that the Forty Second (42nd) Annual General Meeting of Lanka Milk Foods (CWE) PLC will be conducted from Lanka Milk Foods (CWE) PLC, Ragama on 26th September 2024 at 10.00 a.m., as a virtual meeting using a digital platform for the following purposes

1. Ordinary Business

- 1.1. To receive and consider the Annual Report of the Board of Directors together with the Audited Financial Statements for the year ended 31st March 2024 and the Report of the Auditors thereon.
- 1.2. To re-elect Mr. D. Hasitha S. Jayawardena, who retires by rotation at the Annual General Meeting in terms of Article No.94 of the Articles of Association, as a Director of the Company.
- 1.3. To re-appoint Deshamanya D.H.S. Jayawardena, who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D.H.S. Jayawardena, who is 82 years of age and that he be re-appointed a Director of the Company."
- 1.4. To re-appoint Mr. C.R. Jansz who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:
"IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. C.R. Jansz who is 71 years of age and that he be re-appointed a Director of the Company."
- 1.5. To re-elect Mr. H.M.A. Jayasinghe who retires in terms of Article No. 100 of the Articles of Association, as a Director.
- 1.6. To re-elect Mr. J.T.M. Cooray who retires in terms of Article No. 100 of the Articles of Association, as a Director.
- 1.7. To authorise the Directors to determine payments for charitable and other purposes in terms of the Company's Donation Act (Cap 147).
- 1.8. To re-appoint the retiring External Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

2. Special Business

- 2.1. To consider and pass if thought fit the following resolution as a Special Resolution as set out below for the amendment to the Articles of Association:

IT IS HEREBY RESOLVED THAT the existing Article 79 be deleted in entirety and the following New Article Numbered 79 be included therefore:

The directors of the Company shall not be less than FIVE (05) nor more than TWELVE (12) in number.

Subject to the provision of the Companies Act No. 07 of 2007, and Listing Rules Section 09 of the Colombo Stock Exchange, the Company may by Ordinary Resolution increase the maximum limit of the number of the Directors.

- 2.2. To consider and pass if thought fit the following resolution as a Special Resolution as set out below for the amendment to the Articles of Association:

IT IS HEREBY RESOLVED THAT the existing Article 113 be deleted in entirety and the following New Article Numbered 113 be included therefore:

- 113 (a) Subject to paragraph 113(d) of this Article, a Director may by notice in writing under his/her hand and subject to the approval of the Board of Directors, appoint any person to be his/her Alternate Director to act for him/her under exceptional circumstances acceptable to the Board of Directors, for a maximum period of one (01) year from the date of appointment. The said notice of appointment may specify a date or an event upon the happening of which such person shall cease to be his/her Alternate Director, and the tenure of office of the Alternate Director so appointed shall nevertheless not exceed a period of one (01) year from the date of appointment.
- 113 (b) A Director may by notice in writing under his/her hand at any time before the expiration of one year from the date of appointment, revoke the Alternate Director so appointed by him/her and appoint another person as his/her Alternate Director, subject to paragraph (a) above.
- 113 (c) Notwithstanding anything to the contrary contained in paragraph (b) above, the office of an Alternate Director may be determined by the Board of Directors before the expiration of one year from the date of his/her appointment.
- 113 (d) A person nominated to be appointed as an Alternate Director shall be of the same nature of his appointor if appointed, i.e. an Alternate Director of a Non-Executive Director shall be of a Non-Executive nature. Similarly, an Alternate Director to an Independent Non-Executive Director shall be a person who will satisfy the criteria of Independence as set out by the Listing Rules of the Colombo Stock Exchange. The Nominations and Governance Committee shall review and determine that a person nominated to the office of Alternate Director to an Independent Non-Executive Director satisfies the criteria for Independence prior to his appointment.
- 113 (e) A person appointed to be an Alternate Director shall not in respect of such appointment be entitled to receive any remuneration from the Company nor be required to hold any share qualification.
- 113 (f) Alternate Director so appointed shall be entitled to receive notice of meetings and to attend such meetings on behalf of his/her appointor and shall have the right to sign circular resolutions of the Directors for and on behalf of his/her appointor in the event his/her appointor is unable to sign such resolutions.

NOTICE OF MEETING

*NOTE:

01. The 42nd Annual General Meeting of Lanka Milk Foods (CWE) PLC will be a virtual meeting held by participants joining in person or by proxy through audio or audiovisual means in the manner specified.

I. Attendance of the Chairman and the Board of Directors

The Chairman, members of the Board of Directors, certain Key Management Personnel, the Company Secretary and the External Auditors will be available on the virtual platform on Thursday, 26th September 2024 at 10.00 a.m.

II. Shareholder participation

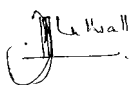
- a) The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
- b) The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audiovisual means only.
- c) The shareholders who wish to participate in the meeting will be able to join the meeting through audio or audiovisual means only. To facilitate this process, the shareholders are required to furnish their details by perfecting Annexure II to the Circular to Shareholders and forwarding the same to reach the Company Secretary via e-mail to agm_2024@lmfgroup.lk or facsimile on +94112956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than five (05) days before the date of the meeting so that the meeting login information could be forwarded to the e-mail addresses so provided. The Circular to Shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.
- d) To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly completed Forms of Proxy should be sent to reach the Company Secretary via e-mail to legal@lmfgroup.lk or facsimile on +94112956266 or by post to registered address of the Company No. 579/1, Welisara, Ragama, not less than forty-eight (48) hours before the time fixed for the meeting.

III. Shareholders' queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via e-mail to legal@lmfgroup.lk or facsimile at +94112956266 or by post to the registered address of the Company No. 579/1, Welisara, Ragama, not less than five (5) days before the date of the meeting. This is to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that such queries could be addressed at the meeting.

02. Annual report online access

The Annual Report of the Company for the year 2023/2024 will be available for perusal on the website at www.lmfgroup.lk and on the Colombo Stock Exchange website at www.cse.lk.



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

29 August 2024
Colombo

FORM OF PROXY

LANKA MILK FOODS (CWE) PLC

I/Weof

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

..... of.....

..... (whom failing)

Don Harold Stassen Jayawardena, (whom failing)

Cedric Royle Jansz, (whom failing)

Don Stasshani Therese Jayawardena, (whom failing)

Don Soshan Kamantha Amarasekera, (whom failing)

Shakthevale Arinesarajah, (whom failing)

Don Hasitha Stassen Jayawardena, (whom failing)

Hector Manil Anthony Jayasinghe, (whom failing)

Joseph Thusitha Mario Cooray, (whom failing)

as my/our proxy to represent me/us, to speak and to vote on my/our behalf at the Forty Second (42nd) Annual General Meeting of the Company to be held on the 26th September 2024, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

1.0 Ordinary Business

	Resolution	For	Against
1.2	To re-elect Mr. D. Hasitha S. Jayawardena, who retires in terms of Article No.94 of the Articles of Association of the Company		
1.3	To re-elect Mr. D. H .S. Jayawardena, who retires in terms of sections 210 and 211 of the Companies Act No. 7 of 2007		
1.4	To re-elect Mr. C.R. Jansz, who retires in terms of sections 210 and 211 of the Companies Act No. 7 of 2007		
1.5	To re-elect Mr. H.M.A. Jayasinghe, who retires in terms of Article No. 100 of the Articles of Association of the Company		
1.6	To re-elect Mr. J.T.M. Cooray, who retires in terms of Article No. 100 of the Articles of Association of the Company		
1.7	To authorise the Directors to determine payments for charitable and other purposes in terms of the Company's Donation Act (Cap 147).		
1.8	To re-appoint the retiring External Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.		

2.0 Special Business

	Resolution	For	Against
2.1	To pass the Special Resolution to amend the Articles of Association as detailed in item 2.1 of the Notice of Meeting.		
2.2	To pass the Special Resolution to amend the Articles of Association as detailed in item 2.2 of the Notice of Meeting.		

Signed this day of September Two Thousand Twenty-Four

.....

Shareholder's Signature/(s)

.....

.....

Shareholder's NIC/ Folio No.

Proxyholder's NIC

Note: Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

Notes:

- (a) In terms of Article 72 of the Article of Association of the Company:-

The instrument appointing a proxy shall be in writing and,

- (i) In the case of an individual shall be signed by the appointer or by his Attorney; and
- (ii) In the case of a Corporation shall be either under its common seal or signed by its Attorney or an officer on behalf of the corporation.

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

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

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

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

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

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

- (b) The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy.
- (c) In the case of non-resident shareholders, the stamping can be attended to on the return of the signed Form of Proxy to Sri Lanka.
- (d) For the completed Form of Proxy to be valid it should be deposited with the Company Secretary, Lanka Milk Foods (CWE) PLC at the registered office of the company at 579/1, 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 Proxy holder
(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	
Directors	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Ms. D. S. T. Jayawardena Mr. D. S. K. Amarasekera Dr. A. Shakthevale Mr. D. Hasitha. S. Jayawardena Mr. H. M. A. Jayasinghe Mr. J. T. M. Cooray	- Non-Independent Non-Executive Chairman - Executive Director - Executive Director - Independent Non-Executive Director - Independent Non-Executive Director - Non-Independent Non-Executive Director - Independent Non-Executive Director - (W.e.f. 01.04.2024) - Independent Non-Executive Director - (W.e.f. 01.04.2024)
Group Chief Executive Officer	Mr. S. Perera	
Company Secretary	Ms. H. K. Bulathwatte	
Auditors	Messrs. KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha P O Box 186 Colombo 3, Sri Lanka.	
Subsidiary Companies	Lanka Dairies Limited Ambewela Livestock Company Limited Pattipola Livestock Company Limited Ambewela Products (Private) Limited United Dairies Lanka (Private) Limited Indo Lanka Exports (Private) Limited	
Bankers	Hatton National Bank PLC Commercial Bank of Ceylon PLC DFCC Bank PLC Hong Kong & Shanghai Banking Corporation Ltd Bank of Ceylon Standard Chartered Bank Nations Trust Bank PLC	
Contact Details	579/1, Welisara, Ragama, Sri Lanka Tel: +9411 2956263-5, +9411 5222600 Fax: +9411 2956266 Email: lakspray@lmfgroup.lk Website: www.lmfgroup.lk	

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