

Lanka Milk Foods (CWE) PLC
Annual Report 2014/2015



The Natural Choice

...our unique understanding of Sri Lankan lives, Sri Lankan needs, Sri Lankan aspirations...



We are continuously in pursuit of delivering the finest products to our consumers, envisioning our promise to provide high quality dairy products with a focus on safety and nutrition. We are committed to continuous innovation to cater to the demands of our valued customer base and seek out new strategies to enable us to create value for our many stakeholders.



Scan to view our website at:
<http://www.lmfgroup.lk/>

The Natural Choice

Built upon the pillars of nutrition, taste and quality; Lanka Milk Foods has always strived to offer superior value to every stakeholder. This is why our products have been the natural choice for generations of Sri Lankans.

Lanka Milk Foods,
The Natural Choice

About this Report



We consider our stakeholders as crucial business partners in our journey towards prosperity.

Our stakeholders consist of customers, employees, suppliers and the environment & community at large. We ensure that our sustainability initiatives touch the lives of our stakeholders in meaningful ways. As a company policy, we engage closely with stakeholders groups to understand their concerns and analyse and implement ways in which we can satisfy their demands. The pages that follow report on our engagement with our key stakeholders and how we create value for the same.

Sustainability is deeply embedded at the core of Lanka Milk Foods (CWE) PLC's operations. The company continually seeks to promote exclusive brand identities that exemplify our dedication to sustainable advancement for the benefit of all stakeholders of the company. Sustainability at LMF, being an ongoing process, assists us to fulfil the day-to-day functions of our business in a sustainable manner. The Group operates on the twin platforms of wholesome goodness and nutrition and this brand promise to consumers defines our unrelenting pursuit of ethical operations and sustainability across our enterprise.



This Annual Report is published within three months from the date of the Statement of Financial Position

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Vision

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

Mission

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

About us

Lanka Milk Foods (CWE) PLC is a group of companies which includes five subsidiary organisations. The company is a fast growing organisation which is into importing, packing, manufacturing, marketing and distributing some of Sri Lanka's best known dairy and beverage brands.

The Company's flagship brand "Lakspray" is a household name in Sri Lanka which has nourished generations of Sri Lankans for over 50 years. In addition the company markets many other leading brands including Ambewela, Daily and My Juicee. The company has identified many growth categories within the dairy industry which it will be expanding into.

In addition to its modern manufacturing and packaging facilities the company also owns two of Sri Lanka's largest farms which are Ambewela Farms and Pattipola Farms.

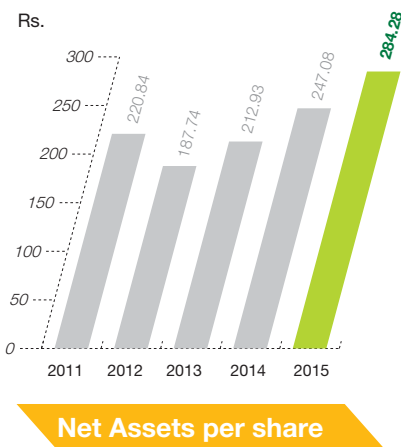
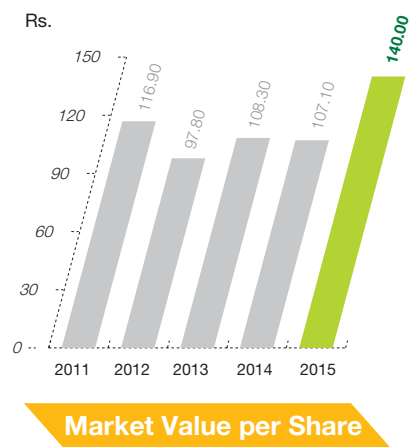
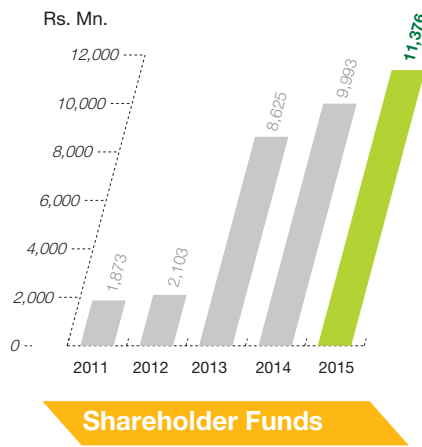
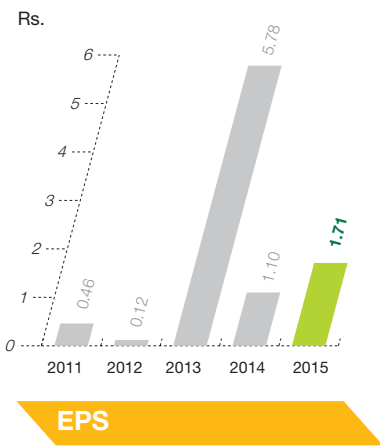
Financial Highlights

		Group			Company		
		2015	2014	Change%	2015	2014	Change%
OPERATIONS							
Revenue	Rs. '000	3,952,277	4,571,997	(13.55)	1,957,046	2,446,113	(19.99)
Gross Profit	Rs. '000	310,735	472,593	(34.25)	63,033	171,232	(63.19)
Profit/(Loss) Before Tax	Rs. '000	(33,302)	26,524	(225.56)	22,029	14,062	56.66
Taxation	Rs. '000	31,571	20,447	54.40	46,264	29,957	54.43
Profit/(Loss) for the Year	Rs. '000	(1,731)	46,971	(103.68)	68,293	44,019	55.14
Profit/(Loss) Attributable to Equity Holders	Rs. '000	2,885	59,603	(95.16)	68,293	44,019	55.14
Revenue Per Employee		5,614	6,665	(15.77)	6,501	9,300	(30.10)
FINANCIAL POSITION							
Non-current Assets	Rs. '000	11,338,182	9,975,429	13.66	10,154,686	8,708,707	16.60
Current Assets	Rs. '000	1,968,720	1,611,624	(22.16)	2,038,196	1,762,864	15.62
Total Assets	Rs. '000	13,306,902	11,587,053	14.84	12,192,882	10,471,571	16.44
Total Equity	Rs. '000	11,394,012	9,977,958	14.19	11,370,598	9,882,818	15.65
Non-Current Liabilities	Rs. '000	594,848	637,748	(6.73)	38,826	30,028	(29.30)
Current Liabilities	Rs. '000	1,318,042	971,347	35.69	783,458	558,725	(40.22)
Net Assets Attributable to Equity Holders	Rs. '000	11,375,801	9,955,131	14.27	11,370,598	9,882,818	15.05
RATIOS							
Earning per Share Rs.		0.07	1.49	(95.30)	1.71	1.10	57.27
Dividend per Share Rs.		1.25	-	100	1.25	-	100
Dividend Cover (Times)		0.06	-	100	1.37	-	100
Interest Cover (Times)		0.41	1.67	(75.45)	1.15	2.14	(46.26)
Net Assets per Share Rs.		284.41	248.89	14.27	284.28	247.08	15.06
Market Value per Share Rs.		140.00	107.10	30.72	140.00	107.10	30.72
Price Earning Ratio (Times)		2,000.00	71.88	2,682.41	81.87	97.36	(15.91)
Debt/Equity %		3.96	5.20	(23.84)	-	-	-
Return on Equity %		(0.02)	0.47	(104.25)	0.60	0.45	33.33
Return on Total Assets %		(0.01)	0.41	(102.44)	0.56	0.42	33.33
Gross Profit Ratio %		7.86	10.34	(23.98)	3.22	7.00	(54.00)
Net Profit Ratio %		(0.04)	1.03	(103.88)	3.49	1.80	93.89
Current Ratio (Times)		1.49	1.66	(10.24)	2.60	3.16	(17.72)
Liquid Ratio (Times)		0.71	0.84	(15.48)	1.81	2.53	(28.46)

► Powdered Milk - Company Performance

Profit of 68 Mn

- Lanka Milk Foods (CWE) PLC recorded a profit of Rs. 68 Million during the financial year ended 31st March 2015, as against Rs. 44 Million in the previous year.



► Liquid Milk Production

- Our investments in upgrading our production plants in Welisara and Ambewela by way of greater mechanisation and automation in previous years now offer us improved synergies and extend optimum efficiencies.

Our Products



Daily - UHT Treated Flavoured Milk

Daily was the pioneer product in Sri Lanka to be packed using the UHT treatment and aseptic processes and it has become the landmark beverage brand of the country ever since. Aseptic packaging which is the world's most advanced food preservation technology enables the food content to be preserved for six months without using any artificial additives or preservatives. Thus, the product has a shelf life of six months under room temperature. Daily milk is produced using premium quality milk from Ambewela Farms, which is a principal dairy farm in Sri Lanka operating under modern farming techniques. The brand comes in a 200ml pack with many flavours and a one litre pack for the Faluda variant. The Daily range is exported to the Maldives and is also popular amongst the Maldivian youth.



Daily ACTIV – UHT Treated Malt Chocolate Food Drink

ACTIV was launched under the brand – ‘Daily’ to cater to the market demand for a malt chocolate food drink full of nourishment. ACTIV is also exported to the Maldivian market.



Lakspray

This is the pioneer milk powder brand in Sri Lanka, which has nourished the nation for over half a century. Lakspray, being a natural milk powder produced from 100% pure cows’ milk, free of chemical additives and preservatives makes a creamier glass of milk or a teacup enriched with milk proteins, vitamins and minerals. It is far better than any instant milk powder and a close substitute for liquid milk. Lakspray Full Cream Milk Powder is available in pack sizes ranging from 50 g to 01 kg, Lakspray Non Fat, a natural milk powder with its fat extracted, is available in a 400 g pack to cater to the needs of the health-conscious individual.



My Juicee Fruit Drink

My Juicee is a ready to drink fruit drink that provides the daily dietary requirements of vitamin C. It is processed using premium quality fruit pulps and concentrates sourced both locally and internationally, on keeping with international quality standards. The product is aseptically packed under extreme hygienic conditions and is available in Apple, Mango, Mixed Fruit and Orange variants and pack sizes of 200ml, to consume while on the move, and 1 litre as a take home family pack.



Ambewela Dairy Range

The Ambewela brand has become the most established dairy brand in Sri Lanka for its premium quality dairy products produced from the finest cow's milk from our own dairy farms situated in Ambewela where milking is done under strict hygienic conditions, according to the best international dairy practices and highest international dairy standards. Ambewela Full Cream milk and Ambewela Non-Fat milk are UHT processed and aseptically packed in a Tetra brick aseptic pack with a cap to suit the modern lifestyle needs of our liquid milk consumers.

Cheese

Ambewela Cheeses are produced both at our New Zealand Farm in Pattipola and Ambewela Products (Pvt) Ltd.

New Zealand Farm – Pattipola

Here, cheese is produced using a more traditional approach. The Cheese produced is broadly classified as cottage cheese.

- Ambewela Gouda Cheese is packed in a 100 g Shredded cheese pack, 250 g & 400 g Ball Cheese (Available in Plain Gouda, Chili, Garlic, Cumin & Pepper flavors), a 2500 g Block (Estimated Weight).
- Ambewela Edam is available in the form of 250 g & 400 g Ball Cheese.
- Ambewela Parmesan Cheese is available in a 100 g grated cheese pack and a 2500 g Block (Estimated Weight).

Ambewela Products (Pvt) Ltd (APPL) - Ambewela

The types of cheeses produced here are into the European palate as APPL caters to the hospitality sector than the domestic market.

- Ambewela Edam 2500 g Block (Estimated Weight)
- Ambewela Gouda 2500 g Block (Estimated Weight)
- Ambewela Spread Cheese, a 50 g pack that was added to the Ambewela range is performing well.



Ambewela Set Yoghurt

Ambewela Yoghurt is produced with the highest quality milk sourced from our own dairy farms. It has captured the hearts & minds of many consumers due its superior taste, serene colour and fine texture.



Goat Milk

Ambewela Farms feature an optimum climate for raising healthy goats, which are cared for by a dedicated team of veterinary professionals. Ambewela goat milk is a ready-to-drink sterilised product available in a 190 ml bottle.



BLU Drink

BLU is an internationally acclaimed brand, available in more than 40 countries worldwide. BLU was launched by LMF in Sri Lanka in 2012, and is experiencing an amazing growth in the Sri Lankan market.

It is a product of Poland, manufactured using the latest technologies and highest water purification methodologies, in the most pristine of conditions to guarantee the highest quality standards to its consumers worldwide. BLU has four variants which includes the regular, Cranberry, Lemon Lime and BLU Day. BLU is available in cans of 250ml.





Business Review

Our decision to enhance production facilities, and to improve and upgrade packaging aspects proved to be valuable stepping stones, which helped us reach higher during the year under review.

Our products have been able to establish a strong presence in the market and in the categories in which they compete, now having become synonymous with uncompromising quality, innovation and wholesome goodness.



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- ▶ The Group continued to focus on building the Ambewela & Daily brands in the liquid milk segment, while investments made in previous years in expanding both the UHT plant of Lanka Dairies (Pvt) Ltd and the yoghurt manufacturing plant in Ambewela Products (Pvt) Ltd, reaped return on investment.

Chairman's Statement

It is with great pleasure that I place before you the Annual Report and the Audited Financial Statements of Lanka Milk Foods (CWE) PLC, the Company and the Group, for the financial year ended 31st March 2015. Despite numerous hardships, the Company recorded a healthy profit in the period under review as compared to the preceding year.

The Group continued to focus on building the Ambewela and Daily brands in the liquid milk segment, while investments made in previous years in expanding both the UHT plant of Lanka Dairies (Pvt) Ltd and the yoghurt manufacturing plant in Ambewela Products (Pvt) Ltd, reaped return on investment.

The year under review proved challenging for the milk powder sector, with the unprecedented hike in milk powder prices in the international market. No sooner the prices started decreasing in the international market, the government authorities counteracted by increasing the import duty immediately. In addition to this, the Consumer Affairs Authority brought down the selling price of milk powder thus causing a very unfavourable situation to the industry.

Future Outlook

Lanka Milk Foods (CWE) PLC and its subsidiaries are well geared to cater to the changing habit of the Sri Lankans from consuming powdered milk to consuming liquid milk. Lanka Dairies (Pvt) Ltd is equipped with the most modern machinery to process and pack liquid milk. In addition to the milk and milk allied products, the product range was diversified to produce and sell fruit juices which became very popular with the consumers and stood competitive with the imported products in the local market, and gained momentum with regard to quality. Ambewela Products (Pvt) Ltd is a sophisticated modern factory situated in Ambewela, to process and pack milk and milk related products. The product portfolio of this Company too was further diversified to produce consumer friendly packs of spread cheese and butter. These value added products of excellent quality added a considerable revenue to the Company. The Ambewela Dairy Farms continued

to produce high quality milk during the period under review. As a result of the quality of products, we have automatically earned a name for its superiority.

Ambewela Dairy Farm & New Zealand Dairy Farm are well-positioned to provide the raw material required for the said factories, namely, best quality fresh milk full of nutritive value. The genetic characteristics of our herd of cattle are constantly improved by using meticulously selected imported cattle semen. Continuous increase in acreage of pasture land, mostly that of fodder maize and imported varieties of rye grass, not only increases the quantity of milk produced but also, improves the quality of milk. Hence, the Lanka Milk Foods Group is well focused on meeting the future demand of excellent quality milk and milk related products in the country.

The lifestyle trend of liquid milk consumption is on the rise over the earlier habit of consuming carbonated drinks, which is benefiting the Group. We are continuously in pursuit of delivering the finest products to our consumers, envisioning our promise to provide high quality dairy products with a focus on safety and nutrition.

Acknowledgements

In conclusion, I thank our shareholders, the Board and the senior management for their continued support throughout the year. The Board recommended a final dividend of Rs. 1.25/- per share for approval at the Annual General Meeting.



D H S Jayawardena

Chairman

10th August 2015



- ▶ Lanka Milk Foods (CWE) PLC, the Company, posted a profit after tax amounting to Rs. 68 Million for the year compared to Rs.44 Million in the previous year. All Group companies contributed to the overall group performance, led by Ambewela Products (Pvt) Ltd., which recorded a turnover of Rs. 955 Million against Rs. 848 Million in the previous year.

Director's Review

The diverse set of challenges faced by the Lanka Milk Foods (CWE) PLC Group in the previous financial year served to power our determined performance during the 2014/15 financial year under consideration. Our decision to enhance production facilities, and to improve and upgrade packaging aspects proved to be valuable stepping stones, which helped us reach higher during the year under review. Our products have been able to establish a strong presence in the market and in the categories in which they compete, now having become synonymous with uncompromising quality, innovation and wholesome goodness.

Group Performance

Lanka Milk Foods (CWE) PLC, the Company, posted a profit after tax amounting to Rs. 68 Million for the year compared to Rs.44 Million in the previous year. All Group companies contributed to the overall group performance, led by Ambewela Products (Pvt) Ltd., which recorded a turnover of Rs. 955 Million against Rs. 848 Million in the previous year. The LMF Group earned revenue of Rs. 3,952 Mn. during the financial year under review, while the Group Gross Profit reached Rs. 310 Mn. Our strategy to enliven the revenue mix and exercise greater cost controls has helped drive profitability for the group in the year under review.

I am proud to reiterate that the LMF share performed strongly on the stock exchange, fluctuating between the ranges of Rs. 143.50 and Rs. 106.00 both in terms of quantity and value terms. The Earning per share was Rs. 1.71 for the year under review for the benefit of shareholders in response to the improved performance by the Company.

Product Performance

Our energised and innovative product mix ensures high brand visibility and recall. On the whole, all our brands grew their market share and improved profitability. The LMF group has embarked on milk, yoghurt and cheese production by leveraging on strategic promotions in each product line, which has helped to boost sales and revenue growth in the dairy sector. Lakspray experienced a

turnover increase of 8% over the previous year, while Daily (200 ml) improved its sales by 14%, with a 13% increase in cases sold.

There was also a rise in fresh milk consumption in the public during the year, and Ambewela Fresh Milk mirrored this trend, improving its turnover by 10%. A significant increase was witnessed in the Non Fat Fresh Milk category, with an increase in sales by 15%. Our efforts to promote and market My Juicee continued to pay rewards, as the product recorded 18% growth over the preceding year. Our enhanced yoghurt production facility delivered expected enhanced results, demonstrating a pickup of 14% in turnover of the product. Ambewela Set Yoghurt has won the hearts of majority of the yoghurt consumers.

We are committed to sustain this growth momentum by adding the right marketing, promotions and product innovation into the mix to ensure that our products remain at the forefront of their categories.

Favourable Market Conditions

Overall, all economic indicators were favourable to enhanced business activity during the year. Low inflations levels and strong performance by industry and service sectors of the economy served to sustain growth momentum through the year. The reduction in electricity tariffs and fuel prices, and the increase in public sector salaries implemented in the last quarter of 2014/15 resulted in an increased disposable income for the public during the year. However, the full benefits of these measures in terms of its impact on discretionary spending will only be visible in the ensuing financial year.

Future Outlook

The future looks bright for the Company, although several challenges continue to persist. The shortage of high quality raw milk to meet the increasing liquid milk demand will continue to pose an obstacle to meeting the needs of the sector. Simultaneously, the increasing import duty on imported milk powder will continue to make milk powder a luxury and not a necessity, as should be the case for the citizens of the country. The maximum retail price

Director's Review

▶ A brand promise that is trusted by Sri Lankans everywhere...

We look forward to value creation by providing the finest products to our consumers, through utilising, enhancing and safeguarding the best resources we have to cater to the increasing demand for liquid milk while expanding to hitherto untapped market segments.

imposed by the government authorities serves to have a detrimental effect on the selling price of the final product, thereby affecting the accessibility to a nutritious essential product such as milk, which provides the dietary calcium requirement for children and adults.

LMF is poised to meet these challenges head-on by increasing its production capacity in our dairy farms; engendering strong supplier relations for a streamlined value chain; ensuring the finest breeds of milking cows (Ayrshire and Friesian) in our farms; and providing the best quality cattle feed on our farms. We believe that these measures will serve to enhance the standard in the industry and deliver our promise of the freshest and most quality-conscious products to consumers.

We have recently enhanced our production capacity at the UHT Milk production plant in Lanka Dairies (Pvt) Ltd and yoghurt production plant in Ambewela Products (Pvt) Ltd., in order to better position ourselves for meeting the rising demand for fresh milk and related products. We look forward to value creation by providing the finest products to our consumers, through utilising, enhancing and safeguarding the best resources we have to cater to the increasing demand for liquid milk while expanding to hitherto untapped market segments.





Our people remain critical to our success and their belief in the goodness and freshness of the company's products is such that they ensure that every stringent quality guideline is upheld in the production process



Rs. **1.71**
Earning per share

Our people remain critical to our success and their belief in the goodness and freshness of the Company's products is such that they ensure that every stringent quality guideline is upheld in the production process. By delivering wholesome goodness to the nation, the company is making a valuable contribution to the health and well-being of the nation.

Acknowledgements

I would like to place on record my gratitude to the Chairman and the Board of Directors for their unstinted support during yet another challenging year. We will uphold our commitment to our shareholders to create value and we remain grateful for their confidence in our abilities. Our accomplished management team and dedicated team of employees are ready to take the group to the next level and we believe that all our systems and processes are geared up to make the quantum leap.

D. S. C. Jayawardena

Director

10th August 2015



Board of Directors

Mr. D. H. S. Jayawardena

Chairman

Mr. Harry Jayawardena is one of the most successful and prominent businessmen in Sri Lanka. He heads successful business enterprises in diversified fields of business arenas. He is the Founder Director and current Chairman/ Managing Director of the Stassen Group of Companies – a diversified group in export and import trade.

He is also the Chairman of Aitken Spence PLC, Browns Beach Hotels PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Milford Holdings (Pvt) Ltd., C B D Exports (Pvt) Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Distilleries Company of Sri Lanka PLC. and its subsidiaries Periceyl (Pvt) Ltd., Balangoda Plantations PLC., Lanka Bell (Pvt) Ltd., Telecom Frontier (Pvt) Ltd., Bell Solutions (Pvt) Ltd. and Melstacorp Limited., Bellvantage (Pvt) Ltd., Madulsima Plantations PLC., Lanka Dairies (Pvt) Ltd, Ambewela Livestock Company Ltd, Pattipola Livestock Company Ltd, Ambewela Products (Pvt) Ltd, Indo Lanka Exports (Pvt) Ltd., and Bogo Power (Pvt) Ltd. He is also the Chairman / Managing Director / Director of several other successful and reputable companies.

Mr. Jayawardena is a former Director of Hatton National Bank PLC, the largest listed bank in Sri Lanka and the former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines. He is presently the Honorary Consul General for Denmark in Sri Lanka.

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

Mr. Jayawardena was elected Chairman of Lanka Milk Foods (CWE) PLC in October 2008 after serving as its Managing Director for almost 17 years.

Mr. R. K. Obeyesekere

Director

Mr. Rajpal Obeyesekere counts over 30 years of experience in the export sector. He serves in the Boards of Balangoda Plantation PLC., Pattipola Livestock Company Ltd, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Stassen Plantations Management Services (Pvt) Ltd., Zahara Exports (Private) Ltd., Ambewela Products (Pvt) Ltd.

Mr. Obeyesekere was elected Director to the Board of LMF in 1991.

Mr. Zaki Alif (Vacated post at LMF on 30th July 2015)

Director

Mr. Zaki Alif serves in the Boards of Lanka Dairies (Pvt) Limited, Stassen Real Estate Developers (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Stassen Plantation Management Services (Pvt) Ltd., Ambewela Products (Pvt) Ltd.

Mr. Alif was elected Director to the Board of LMF in 1991.

Mr. C. R. Jansz

Director

A Director to the Board of LMF since 1992. He has many years of experience in the Import/ Export field and services related to international trade including documentation, insurance, banking, and finance.

Mr. Jansz serves as the Chairman of DFCC Bank PLC and DFCC Vardhana Bank PLC. He also serves on the Boards of Lanka Dairies (Pvt) Ltd, Ambewela Livestock Company Ltd, Pattipola Livestock Company Ltd, Ambewela Products (Pvt) Ltd and Indo Lanka Exports (Pvt) Ltd, Balangoda Plantations PLC., Distilleries Company of Sri Lanka PLC. Melstacorp Ltd., Lanka Bell (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Periceyl (Pvt) Ltd.

Mr Jansz is a Former Chairman of Sri Lanka Shippers Council and former member of the National Trade Facilitation Committee of Sri Lanka. He holds a Diploma in Banking and finance from the London Guildhall University – UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.

Ms. D. S. C. Jayawardena

Director

Ms. Sanjivani Jayawardena was appointed to the Board of Lanka Milk Foods (CWE) PLC in 2008.

She is also a Director to Hatton National Bank PLC, Lanka Dairies (Pvt) Ltd, Ambewela Livestock Company Ltd, Pattipola Livestock Company Ltd, Ambewela Products (Pvt) Ltd, Indo Lanka Exports (Pvt) Ltd., Stassen Exports (Pvt) Ltd, Milford Exports (Ceylon) (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd, Ceylon Garden Coir (Pvt) Ltd, Milford Developers (Pvt) Ltd, Stassen Foods (Pvt) Ltd and C B D Exports (Pvt) Ltd.

Mr. D. S. K. Amarasekera

Independent Non-Executive Director

Mr. Kamantha Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka. He also holds a degree in Business Administration from the University of Sri Jayawardenapura and began his career in the year 1998.

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

Mr. Amarasekera was appointed as an Independent Director to LMF in year 2008. He is also a Director of Balangoda Plantation PLC., Browns Investments PLC., Eden Hotel Lanka PLC., Free Lanka Capital Holdings PLC. Hydro Power Free Lanka PLC., Kelani Tyres PLC., Madulsima Plantations PLC., Palm Garden Hotels PLC., Environmental Resource PLC.

Dr. A. Shakthevale

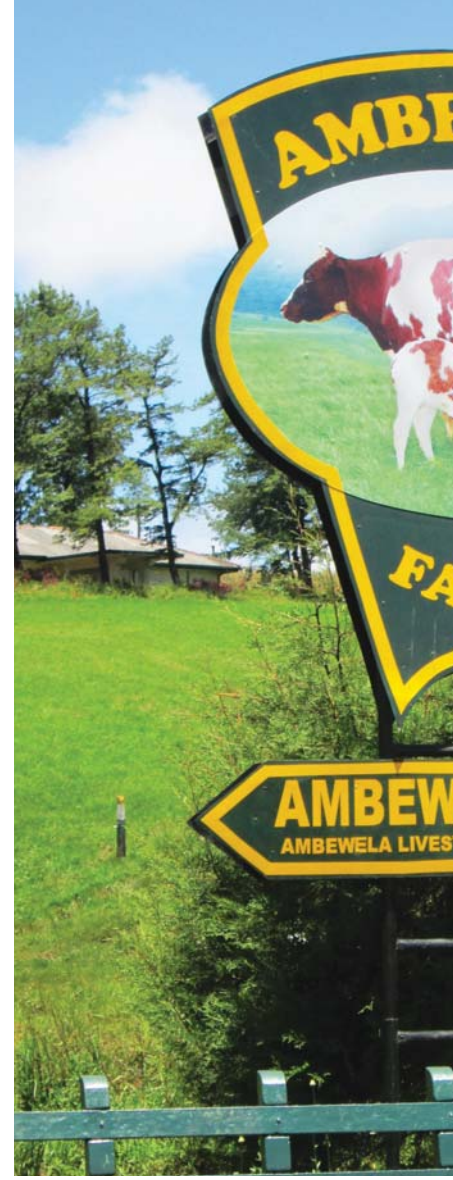
Independent Non-Executive Director

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

He served as a Secretary, 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; Co-ordinating 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. He has worked at FAO and UNDP, UNHABITAT, Land O'Lakes, Oxfam GD and University of Jaffna. At present, he is a freelance Consultant in the field of Livestock Development.

Dr. Shakthevale was appointed to LMF as an Independent Director in year 2008.

He is also a Director to Madulsima Plantations PLC, Balangoda Plantations PLC. And KAYPEE International (Pvt) Ltd.



Management Discussion & Analysis

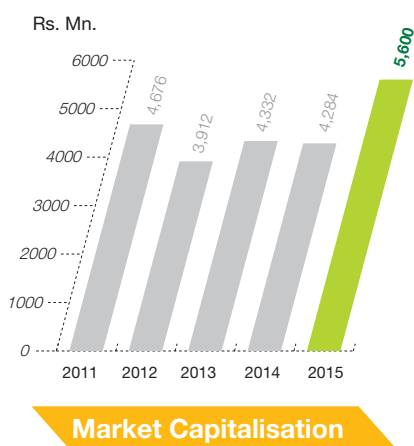
Overview of Local Dairy Sector

The dairy sector faced yet another challenging period during financial year 2014/15. At the company level, turnover decreased to Rs. 1,957 Million, which affected the group revenue. There were a host of developments in the industry which created a volatile atmosphere due to which strong growth was deterred during the year under review. The domestic prices of some imported food items increased during the first nine months of 2014 mostly in line with their movements in the international market.


The price of milk powder (excluding locally sourced milk powder) was decreased by Rs. 61 per 400g pack and


Rs. 152 per 1 kg pack during the year. In the fresh milk segment, cattle milk production increased by 2.9% to 273 million litres in 2014/15.

During the year, the growth in milk production in several districts of the country was adversely affected by drought conditions. However, factors such as favourable producer prices for raw milk, the shift of consumer demand in favour of domestic milk products, and the growing demand for raw milk resulted in continuous growth in domestic milk production, which had a beneficial impact on our fresh milk business.



Factors such as favourable producer prices for raw milk, the shift of consumer demand in favour of domestic milk products, and the growing demand for raw milk resulted in continuous growth in domestic milk production, which had a beneficial impact on our fresh milk business.

 2,012
Total Cattle

 704
No. of Employees

Management Discussion & Analysis

▶ A brand promise that is trusted by Sri Lankans everywhere...

With a portfolio including Sri Lanka's best-loved dairy and beverage brands, the Company offers wholesome goodness which is enjoyed and appreciated by generations of Sri Lankans.

Group Performance

Lanka Milk Foods (CWE) PLC is a group of companies which imports, packs, manufactures, markets and distributes some of Sri Lanka's best-loved dairy and beverage brands. The company's products offer wholesome goodness which is enjoyed and appreciated by generations of Sri Lankans.

The Group is on a dynamic growth trajectory and is constantly on the lookout for new opportunities to capitalise on and is equipped with modern manufacturing and packaging facilities. It is positioned at the forefront of the industry, supported by its ownership of two of Sri Lanka's largest dairy farms. Lanka Milk Foods (CWE) PLC consists of five subsidiary companies engaged in the production of dairy and related products.

Company-wise Performance

Lanka Milk Foods (CWE) PLC

The company packages and distributes imported whole milk powder and skim milk powder - Lakspray and Lakspray Non Fat. It also distributes the BLU energy drink. During the year 2014/15, Lanka Milk Foods (CWE) PLC faced numerous hardships. The Company recommenced the sale of Lakspray and reached the typical sales volume after a lapse of 6 months.





We remain committed to innovate products that infuse nourishment and a sense of fun for our customers.



Our fresh milk and flavoured milk brands have become preferred choices cutting across age considerations. A rising health conscious nation is now opting for milk as a beverage of choice when on the go, over carbonated drinks.

The price of full cream milk powder in the world market reached unprecedented high levels. When the prices eventually did begin their gradual decline, the government reacted by increasing the import duty on full cream milk powder from Rs. 57/- to Rs. 82/- and eventually to Rs. 135/- per Kg. In addition, the Consumer Affairs Authority reduced the selling price of milk powder drastically.

By the time of the January 2015 budget, the approved retail selling price was slashed by Rs. 152/- per Kg. This unfavourable scenario prevailed throughout the year. The expected operational loss as fallout of these developments was mitigated to some extent by the dividend earned and the increase in the value of share investments, thus helping to record a profit of Rs. 68 Million during the financial year ended 31st March 2015, as against Rs. 44 Million in the previous year.

Our investments in upgrading the Welisara plant by way of greater mechanisation and automation in previous years

now offer us improved synergies and extend optimum efficiencies. Our focus on sustaining the highest safety standards remains unwavering and we continued to make process improvements during the year.

During the year, we successfully introduced Blu Day, another variant for the BLU range, the popular carbonated energy drink, which is available in a range of flavours. BLU has been formulated with scientific insight into its safety for consumption and the same stringent quality focus is maintained in our new variant.

Outlook

The company continues to explore new diversification strategies to shore up its profitability in the face of severe price fluctuations in the global market which is further compounded by imposition of severe import duties. Since global prices are beyond our control, we continue to hope for greater stability in world prices. In the meanwhile, we remain committed to innovate products that infuse nourishment and a sense of fun for our customers.

Lanka Dairies (Pvt) Ltd

Lanka Dairies (Pvt) Ltd manufactures and distributes UHT treated fresh milk and Non-Fat milk under the brand of Ambewela; flavoured milk and food drinks under the brand name of DAILY and DAILY ACTIV Food Drink; and fruit nectars under the MyJuicee brand. Further, the company manufactures and distributes Ultra Heat Temperature (UHT) treated full cream, non-fat liquid milk, UHT treated flavoured milk and fruit drinks. It also co-packs for UHT treated international beverage brands.

The upward surge in demand for fresh milk experienced in the previous year continued in the year under review as well, resulting in a strong performance by the company.

Management Discussion & Analysis



▶ Ambewela Products (Pvt) Ltd

12%

Revenue Growth

▶ Ambewela UHT Fresh Milk

14%

Sales Volume Growth

Sales of Ambewela and Daily brands grew by 12% during the year. The two brands are high revenue earners for the group as a whole and their popularity amongst consumers should ensure a steady upward growth in the months ahead. Ambewela UHT Fresh milk recorded 14% growth in sales volume, further reinforcing its market leader status in the UHT treated white milk category.

Lanka Dairies fared well during the year under consideration. The sale of Ambewela Fresh Milk Pack and that of various flavours of Daily Milk Pack increased substantially. The consumer-friendly UHT treated My Juicee pack penetrated the market satisfactorily. The company recorded revenue of Rs. 1,326 Million in the current financial year. During the financial year under consideration, the sale value of Ambewela Fresh Milk 1 Litre pack increased by 10% and that of Daily increased by 14%. However, the depreciation arising out of the inevitable expansion project at Lanka Dairies (Pvt) Ltd amounted to Rs. 96 million.

During the year, the interest element of the loan obtained for the expansion project amounted to Rs. 45 million. In January 2015, the payment of the loan installment commenced after a grace period of 2 years. As a result of these expenses, this led for a loss of Rs. 64 million.

Our fresh milk and flavoured milk brands have become preferred choices cutting across age considerations. A rising health conscious nation is now opting for milk as a beverage of choice when on the go, over carbonated drinks.

The brand, ACTIV, continues to establish its presence in the market. Our MyJuicee range of juices continued to make headway in the fresh juices category, offering stiff competition to imported juices. We have chalked out a dynamic export strategy for the juice brand based on its international look and taste appeal, and we will be seizing opportunities as they emerge in this endeavour.

Outlook

The company has been consistently demonstrating robust growth over the years, which spurs us to analyse how we can enhance the capacity of the plant and extend the brand further to cater to the market's demand for our brand of products, which have become synonymous with taste and hygiene. The potential for the Ambewela fresh milk, Daily and MyJuicee products is unlimited in both the local and export markets and we intend to optimise budding prospects to grow this segment of our business.

Ambewela Dairy Farms

The climatic conditions in Ambewela make it a suitable location for dairy farming and the farm extent owned by the company encompasses the most scenic and productive pastures. Ambewela Dairy Farms, which produces fresh milk under stringent hygienic conditions while maintaining its nutritive value, has increased its operations five-fold since its management was acquired by Lanka Milk Foods (CWE). These scientifically maintained dairy farms have come to be of great educational value to the university undergraduates and school children.

Ambewela Products (Pvt) Ltd

This ultra-modern factory produces Ambewela Yoghurt, which is in high demand in the country. The different varieties of Ambewela Cheese have also gained a substantial share of the cheese market. The consumer-friendly Ambewela Spread Cheese Cup and the Ambewela Butter Cup are the latest product diversifications of the Company. Ambewela butter is the latest addition to the company's portfolio. During the year, the company's revenue grew to reach Rs. 955 Million as compared to Rs. 848 Million in the previous year.

The company is reaping the benefits of its enhanced yoghurt manufacturing capacity, by being well positioned to provide high volumes to meet the demand for its yoghurt. Ambewela Products also manufactures and distributes UHT milk in chocolate and vanilla flavours, apart from yoghurt and cheese. The Cheese Spread we introduced in 2014 is gaining popularity due to its appealing taste and lower price points as compared to imported cheeses. During the year, the distribution network was further strengthened to ensure that existing and potential consumers across the country can easily access the company's products.

Outlook

We aim to build on the brand loyalty and popularity in the market by introducing new products in the days ahead. The consumption of dairy and dairy related products is on the rise amongst people and we will leverage on this favourable trend by offering the entire range of dairy products under our brand umbrella. Ambewela set yoghurt continues to enjoy market leader status and we will continue to reinforce its position by growing sales volumes.

Pattipola Livestock Company and Ambewela Livestock Company

Pattipola Livestock Company serves as a valuable supplier of goat milk while Ambewela Livestock Company supplies pure and fresh cow's milk for group companies. Besides this, the company offers farm excursions for both domestic and foreign tourists on its New Zealand Farm. The year under review witnessed increased demand for fresh milk from its farm from its chief buyer, Lanka Dairies. During the year, the company pursued measures to enhance yields and maintain its stringent milk collection and storing standards. The Ambewela Livestock Co. Ltd recorded a turnover of Rs. 150 Million while Pattipola Livestock CO. Ltd. posted earnings of Rs. 185 Million for FY2014/15.

Outlook

The last few years have witnessed a rise in supply by the farms through the use of high yield technology. The New Zealand Farm has become a tourist attraction for visitors and we encourage this popularity as it not only serves to popularise our brands, but also offers an educational opportunity for tourists and students to study various facets of dairy farming. As a result of the inflow of visitors, the farms earn revenue from the sale of home-grown fresh milk, natural hand processed cheeses, goat milk and potatoes.



Sustainability & Governance

As a company whose stakeholders range from the farmer at the grassroots level to well-heeled customers, we engage with these wide-ranging interest groups through our products.

As a result, we have grown into a company that is perceived as delivering valuable service to every level of the economic and social pyramid. Although our enterprise is in business to create value for shareholders, we are also proud to occupy the position of a market leader who is nourishing the nation through sustainable products that are wholesome and nutritious.



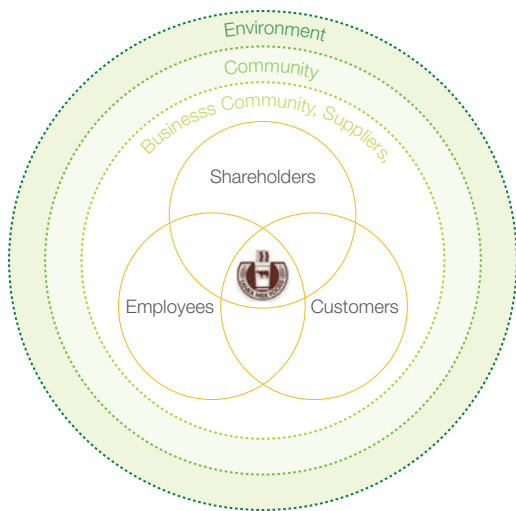
Sustainability & Governance

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Sustainability Report



Stakeholder Engagement Model

Sustainability is deeply embedded at the core of Lanka Milk Foods (CWE) PLC's operations. The company continually seeks to promote exclusive brand identities that exemplify our dedication to sustainable advancement for the benefit of all stakeholders of the company. Sustainability at LMF, being an ongoing process, assists us to fulfil the day-to-day functions of our business in a sustainable manner. The Group operates on the twin platforms of wholesome goodness and nutrition and this brand promise to consumers defines our unrelenting pursuit of ethical operations and sustainability across our enterprise.

Stakeholder Engagement

We consider our stakeholders as crucial business partners in our journey towards prosperity. Our stakeholders consist of customers, employees, suppliers and the environment & community at large. We ensure that our sustainability initiatives touch the lives of our stakeholders in meaningful ways. We realise that livelihoods of many of our stakeholders depend on the sustainability of our operations, which is why we remain committed to upholding our reputation as an ethical business entity that takes a long term view of the business. As a company policy, we engage closely with stakeholder groups to understand their concerns and analyse and implement ways in which we can satisfy their demands.



Protecting the environment and our natural resources is of critical importance to a company such as ours in the business of dairy farming.



Our ability to recognise and respond to changing customer needs and obtain the knowledge of customers and engaging with them has a sustainable competitive advantage.



We consider our employees as a great asset to the company and our diverse workforce empowers the company and provides a competitive advantage in the industry.

Customers

Being a pioneer in the dairy industry, our brands are found in millions of households over the country. Therefore, our customers are at the heart of our business. Being in the business of manufacturing dairy products, we believe that product responsibility is a crucial element for our brands and their endurance. Thus, we focus on delivering the finest quality products to our consumers while meeting the highest quality standards and maximum environmental and climate compatibility.

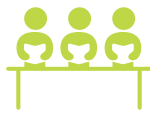
Our ability to recognise and respond to changing customer needs and obtain the knowledge of customers and engaging with them has a sustainable competitive advantage. Such a mechanism helps us develop our products to meet the changing lifestyle demands of our consumers, improve our customer relationship management system and deliver a better customer service.

Through the utilisation of the highest international dairy standards and practices, our state-of-the-art modern manufacturing enables us to deliver high quality products to the market. We have obtained ISO 9001 quality certification for quality management. We continue to adhere to product labeling requirements specified in the Food Act No. 26 of 1980, the regulations contained in the Food Labeling and Advertising Regulations of 2005 and

Corporate Social Responsibility Initiatives



▶ Providing Sustenance to Pilgrims



▶ Nourishing Children from Underprivileged Schools



▶ Engaging With Schools



▶ Supporting Social Causes



▶ Uplifting Farmer Communities

Sustainability Report

the Consumer Affairs Authority Act No. 9 of 2003 for all our products.

Our products appeal hold appeal across age and income barriers and to grow our share of the market further, a number of focused promotional and marketing activities are held in strategic locations to engage the target group. The company enjoys a social media presence through which it is able to engage with its younger consumers.

Product Responsibility

As the manufacturers and distributors of dairy and dairy related products, it is vital that our entire operational value chain is imbued with sustainability measures so as to conduct our operations without an adverse impact on the environment, while ensuring our customers can consume wholesome and healthy products. Over the years, our brands have become synonymous with the highest hygiene and health standards. We are cognizant of the fact that as a consumer food and beverage manufacturer, we have a deep responsibility to our consumers to provide nothing short of the freshest products. In order to deliver this promise, we retain strong control of our entire production and manufacturing chain, so that we can maintain close attention on every aspect of the operation.

Upholding Quality

Our operations are equipped with the internationally recognised Quality Management System (QMS), which complies with ISO 9001:2008 standards, encompassing all critical processes from the point of sourcing to the storage of finished goods. We operate advanced fully-equipped chemical and microbiological laboratories to test samples before they are released for processing. The Quality Assurance Division controls all aspects of quality and maintenance of environmental, hygiene and sanitation standards. The enterprise also operates its own laundry, water purification and janitorial services so as to maintain stringent control over hygiene of the processes. On the farms, the company adopts international cattle rearing practices for its European breeds, Ayrshire and Friesian, selected for their capacity to produce large quantities of milk. Every aspect from cattle feed to health of the cattle

is monitored by professional agriculturalists. In terms of packaging of products, we can lay claim to one of the most modern packaging plants with automated packing systems for optimum hygiene.

Looking at another aspect of product responsibility, the company has pioneered low fat options for health-conscious consumers so as to promote awareness about lifestyle diseases such as high cholesterol, heart disease and diabetes, which are on the rise in Sri Lanka. As a responsible and ethical entity, we would like to guide the future generations to make the right food choices.

Employees

We consider our employees as a great asset to the company and our diverse workforce empowers the company and provides a competitive advantage in the industry. During the year, the company focused on ensuring its employees enjoyed an optimum work-life balance, acquired new skills and underwent training, and received effective reward and recognition for their achievements. The company enjoys a low attrition rate and with a loyal and committed workforce, and it is easy to work towards a common vision.

As of March 2015, the LMF Group provided employment to 704 personnel compared to 686 in the preceding year. Majority of the total cadre is represented by factory and farmworkers. Gender ratio is approximately 4:1 (male: female) owing to the high labour intensive work required at the farm and the factory floor.

Total Number of Employees

	2014		2015	
	Male	Female	Male	Female
Executives	51	4	61	4
Non-Executives	285	29	358	29
Casual	155	28	104	21
Check Roll	70	64	65	62
TOTAL	561	125	588	116
	686		704	



Learning & Development

Learning and development form the pillars on which we build our workforce competence. The Company invests heavily in technical, sales and marketing training for its employees. A strong culture of mentoring young talent by senior managers and rewarding outstanding performers has engendered a culture of constant learning amongst the employees. The company's farms are proving to be an 'agricultural and dairy university' for students, who gain practical insights into farming during their pursuit of studies in agriculture.

Health & Safety

The company strives for incident-free operations and to attain this, there is strong emphasis on worker health and safety. Our staff is actively involved in ensuring the absence of injuries and environmental hazards that could impact the workforce. Protective gear is mandatory for workers engaged in specific operations, whilst the workforce in general is educated on safety and hygiene aspects of the operation. Our products have become reputed for their hygiene and safety standards and we protect this positioning closely by ensuring high standards of cleanliness.

Worker Welfare

The Group is considered a valuable employment creator in the local communities where its factories are located. By recruiting locally, the company is able to uplift the livelihoods of youth in the area that would otherwise have to migrate to satellite towns in search of gainful employment. Realising the aspirations of its workforce, many of whom hail from rural towns and villages, the company offers a comprehensive basket of staff benefits, which ensure an ideal work-life balance for its workforce.

Some of the benefits that employees receive at LMF are a comprehensive medical cover for all staff, subsidised nutritious lunch for staff and a quota of company products. They are also liable to receive cash incentives above the industry standards, including monthly sales incentives, attendance incentives for non-executive staff, leave encashment for unutilised leave and ex-gratia payments. Leisure and recreational opportunities are provided regularly to promote further fellowship amongst staff members.

Suppliers

We always focus on obtaining the highest quality raw material acquired at competitive prices and ensure that they are delivered in a socially and environmentally responsible manner. The company conducts periodical site visits and ongoing communication with the suppliers to ensure the stability and continuity of business. Through on-time payments within the credit period and financial assistance provided to expand and improve operations, we have supported the local dairy farmer and the local dairy industry.

Environment

Protecting the environment and our natural resources is of critical importance to a company such as ours in the business of dairy farming. This realisation has inspired us to adopt a variety of international dairy farming practices that give priority of the preservation and long term sustenance of land and water resources. Our waste water treatment plant is making a positive contribution to reducing environmental hazards. By treating waste water effluents before releasing them into the environment, we ensure that we minimise any inadvertent instances of environmental pollution in any way.

Sustainability Report

As the market leader in the dairy sector, we feel that the group should take ownership of demonstrating environmental stewardship. Every aspect of our operations is rendered sustainable by ensuring recycling and renewal to the greatest extent possible. Dairy farming is a source that future generations have to benefit from and towards that end we intend to ensure that our farms remain productive far into the future.

Our packaging operation too, uses aseptic recycled packaging material. Further, disposal of solid waste is conducted in a controlled manner to ensure it is disposed of in the optimum way. Our self-burning incinerator for solid waste has proven to be an eco-friendly method to dispose waste. The water effluent treatment plant at Lanka Dairies (Pvt) Ltd., recycles water for safe reuse of water on the plant premises, thereby protecting the environment.

Community

As a company whose stakeholders range from the farmer at the grassroots level to well-heeled customers, we engage with these wide-ranging interest groups through our products. As a result, we have grown into a company that is perceived as delivering valuable service to every level of the economic and social pyramid. Although our enterprise is in business to create value for shareholders,

we are also proud to occupy the position of a market leader who is nourishing the nation through sustainable products that are wholesome and nutritious.

Operating closely with surrounding communities in the vicinity of our factories, the companies engage with their hopes and aspirations and strive to provide them with a better standard of living by contributing to social, health and educational causes. Some of the CSR initiatives undertaken during 2014/15 are:

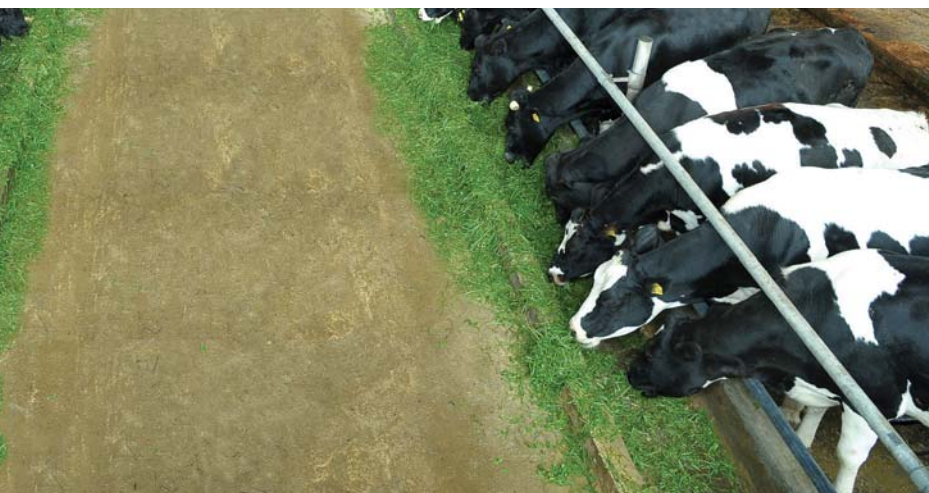
- **Providing Sustenance to Pilgrims:** The Company's customer base is diverse and we respect this diversity by practicing equality in our own unique way. We distribute free milk for devotees of all faiths during religious events and occasions at all certain places of worship.
- **Nourishing Children from Underprivileged Schools:** The Company regularly provides nutritious milk to children from underprivileged schools in order to promote their health and well-being. In practice for the last decade, an entire generation of school children has benefitted through our practice of distributing milk and milk products.



- **Engaging With Schools:** In a bid to underline the importance of milk and milk products, we encourage schools to visit our factory premises. This is an ongoing feature through the year and free milk and milk products are supplied to the children when they tour our factory.
- **Supporting Social Causes:** The Company takes on the additional responsibility of providing free refreshments and nourishment to inmates of welfare homes for the aged and underprivileged, donating generous rations of milk powder. The Company has been engaged in this endeavour for the last 17 years.
- **Uplifting Farmer Communities:** The company has a beneficial impact on farmer communities by uplifting their welfare by sharing knowledge on improving yield and quality of fresh milk. We regularly provide them with technical knowhow and update them on the latest cattle rearing practices. Farmer communities are also educated on hygiene and sanitation practices in order to ensure products of the highest quality.

▶ **A brand promise that is trusted by Sri Lankans everywhere...**

Operating closely with surrounding communities in the vicinity of our factories, the companies engage with their hopes and aspirations and strive to provide them with a better standard of living by contributing to social, health and educational causes.



Corporate Governance

The Board of Directors

The Board of Directors of the company is responsible 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 responsibilities of the Board are;

- To enhance Shareholder value
- Provide direction and guidance in formulating corporate strategies
- Approving major investments
- Monitoring systems and procedures especially with regard to internal controls and risk management.

The Directors' interests in the affairs of the Company are explained on pages 44 to 46.

Company Secretary

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

Disclosure

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

In addition, Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards and Companies Act and in conformity with the Stock Exchange requirements.

Internal Controls

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

The Company has an Internal Audit Division which submits its reports on a regular basis to the Chairman.

Board Meetings

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

The Board comprises of the following Directors.

Name of the Director	Status
Mr. D. H. S. Jayawardena	Chairman
Mr. R. K. Obeyesekere	Director
Mr. Z. Alif	Director
Mr. C. R. Jansz	Director
Ms. D. S. C. Jayawardena	Director
Mr. D. S. K. Amarasekera	Independent Non-Executive Director
Dr. A. Shakthevale	Independent Non-Executive Director

Future Company Assets

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

Non-Executive Directors

As per the Colombo Stock Exchange listing rules set out in Section 6, 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.

Independence of Directors

The Board of Directors of Lanka Milk Foods (CWE) PLC, having studied the criteria in accordance under Section 7.10 of Rules of Corporate Governance declares the two Non-Executive Directors to be Independent Directors.

Remuneration Committee

The following two Independent Non-Executive Directors are appointed to the Remuneration Committee.

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 two Independent Non-Executive Directors are not paid any remuneration. Aggregate remuneration paid to the Board of Directors is declared in Note 8 of the Annual Report.

Mr. D. S. K. Amarasekera

Dr. A. Shakthevale

The report of the Remuneration Committee is given on page 43.

Audit Committee

The Audit Committee comprises of two Independent Non-Executive Directors as follows.

Mr. D. S. K. Amarasekera

Dr. A. Shakthevale

The detailed report of the Audit Committee is on page 42.

Compliance Report

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

The Company's compliance with the CSE Listing rules and the best practices are set out in the Code of Best Practice on Corporate Governance issued jointly by ICASL and SEC is set out in the below table.

Disclosure Regarding the Board of Directors			
Section	Applicable requirement	Compliance Status	Compliance Details
7.10.1 (a) to (c)	Non Executive Directors Two or at least one third of Non-Executive Directors which ever higher should be independent.	Complied	Two out of seven Directors are Non-Executive Directors.
7.10.2 (a)	Independent Directors Two or one third of Non-Executive Directors which ever higher should be independent.	Complied	All Non Executive Directors are Independent.
7.10.2 (b)	Independent Directors' Declaration Each Non-Executive Director submit assigned declaration of Independent or Non independent in the prescribed format.	Complied	Non-Executive Directors have submitted the above declaration in the prescribed format.
7.10.3 (a)	Disclosure Relating to Directors Names of Independent Directors should be disclosed in the Annual Report.	Complied	The names of the Independent Directors are provided on pages 18 - 19 of the Annual Report.
7.10.3 (c)	Disclosure Relating to Directors A brief resume of each Director should be included in the Annual Report including the area of expertise.	Complied	A brief resume of each Director is provided on pages 18 - 19 of the Annual Report.

Corporate Governance

Disclosure Regarding the Remuneration Committee

Section	Applicable requirement	Compliance Status	Details
7.10.5	Remuneration Committee Listed Company shall have Remuneration Committee.	Complied	The Remuneration Committee comprises of Mr.D.S.K Amarasekera and Dr. A. Shakthevale
7.10.5 (a)	Composition of the Remuneration Committee * Shall compromise of Non-Executive directors a majority of whom will be Independent. * The Chairman of the committee shall be a Non-Executive Director.	Complied	Please refer page 43 of the Annual Report.
7.10.5 (b)	The functions of the Remuneration Committee The Remuneration Committee shall recommend the remuneration payable to the Board and the executive officers.	Complied	Please refer page 43 of the Annual Report.
7.10.6 (c)	Disclosure in the Annual Report relating to the Audit Committee 1. The Names of Directors in the Audit Committee. 2. Basis of determination of the Independence of the Auditors and disclose the basis for such determination. 3. The Annual Report shall contain a Report of the Audit Committee.	Complied	Please refer page 42 of the Annual Report.

Content Under The Audit Committee

Section	Applicable requirement	Compliance Status	Details
7.10.6 (a)	<p>Composition of the Audit Committee</p> <p>A Non-Executive Director shall be appointed as the Chairman of the committee. The Chief Executive Officer and Chief Financial Officer should attend Audit committee meetings. The Chairman of the Audit Committee or one member of a professional accounting body shall comprise of Non-Executive Directors, a majority of whom will be Independent.</p>	Complied	Please refer page 42 of the Annual Report.
7.10.6 (b)	<p>Audit Committee functions</p> <p>Should be as outlined in the section 7.10.6(b) of the listing rules.</p>	Complied	Please refer page 42 of the Annual Report.
7.10.5 (b)	<p>The functions of the Remuneration Committee</p> <p>The Remuneration Committee shall recommend the remuneration payable to the Board and the executive officers.</p>	Complied	Please refer page 43 of the Annual Report.
7.10.6 (c)	<p>Disclosure in the Annual Report relating to the Audit Committee</p> <ol style="list-style-type: none"> 1. The Names of Directors in the Audit Committee. 2. Basis of determination of the Independence of the Auditors and disclose the basis for such determination. 3. The Annual Report shall contain a Report of the Audit Committee. 	Complied	Please refer page 42 of the Annual Report.

Enterprise Risk Management

MANAGING RISK AT LMF

Risks and opportunities are parts of our lives leaving us with positive and negative impacts. Thus managing risk in an organisation plays an integral role in our everyday business and organisational strategy.

Risk Management aids us to proactively identify and manage risks within our risk appetite to provide reasonable assurance regarding the achievement of entity objectives while creating improved outcomes and better solutions by enabling us to anticipate and act on potential opportunities.

The LMF Board and the management set the 'Tone at the Top' influencing our core values, risk appetite and how other entity personnel conduct themselves with regard to risk management.

Our Aspiration

To promote a culture of risk management to help the enterprise maintain the provision of quality products while ensuring appropriate relationships with our customers and other stakeholders.



Reports on the Group's operational and financial systems by Internal and External Audits are reviewed and action taken to manage any risks that have been identified. Significant audit findings are reviewed by the Board.

When the risks are communicated to the management their severity and likelihood of impact are discussed and appropriate actions are taken to mitigate them. A mechanism to monitor the progress of mitigations efforts is also decided and current risk management practices reviewed.

INTERNAL CONTROLS, INTERNAL AND EXTERNAL AUDIT FUNCTION

The Group's internal control system covers all policies, procedures, control systems enabling significant strategic and operational risks to be managed.

The internal audit function monitors the internal controls, examine financial information and review efficiency and effectiveness of the operations and exchange perspectives to ensure orderly and efficient conduct of business by detecting and preventing fraud and error thus safeguarding Group assets.

Risk	Mitigation activities
FINANCIAL RISKS	
Interest Rate Risk	
This is the risk of exposure of an entity's financial condition in to adverse movements in interest rates.	<ul style="list-style-type: none"> • Striking a balance between short term vs long term borrowings and fixed vs floating rate borrowings. • Negotiating with banks and financiers. • Monitoring interest rates and socioeconomic circumstances to create accurate forecasts. • Assessing the impacts of movements of interest rates on financial statements.
Foreign Exchange Risk	
This is the risk of an investment/ receivable/ payable's value changing due to changes in the foreign currency exchange rates.	<ul style="list-style-type: none"> • Monitoring exchange exposures and leading or lagging payments/ receipts.
Liquidity Risk	
This relates to not having sufficient funds to meet the financial commitments in a timely manner. This refers to both short term cash flow risk and long term funding risk.	<ul style="list-style-type: none"> • The Company regularly reviews its liquidity position and ensure its ability to generate adequate funds for operations, financing activities and investments. • Projected borrowings are covered by committed facilities and a healthy industry related gearing ratio is maintained. • Enhanced banking facilities and financial assistance obtained through our excellent relationship management with related institutions provides us more strength in this area.
Credit Default Risk	
This is the risk of losses arising from a debtor unable to meet his obligations in full or the debtor is overdue more than an agreeable period.	<ul style="list-style-type: none"> • Covering the financial commitment of each party in financial transactions through bank guarantees and cash deposits for certain order levels. • Structured approval levels for credit limits for each customer. • Periodical evaluation of customers. • Supervision and recovery procedures on overdue amounts and legal procedures for long outstanding amounts.

Enterprise Risk Management

Risk	Mitigation activities
Investment Risk	
<p>Risk and return go hand in hand and a business must invest and reinvest its returns in order to ensure future growth, expansion and sustainability.</p>	<ul style="list-style-type: none"> • The Group has mainly invested in its dairy farms, the sophisticated modern dairy complex at Ambewela Farms and the expansion project at Lanka Dairies (Pvt) Ltd. With the rapid increase in demand and the government policy to improve the dairy sector, the management is confident that the investments will pay high return in time.
BUSINESS RISKS	
Scarcity of Raw Material	
<p>Due to seasonal fluctuations in the supply of raw material Company faces challenging circumstances in meeting the market demand. E.g. Raw Cow's Milk</p>	<ul style="list-style-type: none"> • Increased number of cows in our own farms ensures a static flow of raw milk for production lines in Ambewela Products (Pvt) Ltd and Lanka Dairies (Pvt) Limited. • Effective supply chain management under competitive circumstances has taken the Group to a beneficial edge. • Effective forecasting and assessing of market trends.
Quality Risk	
<p>This is a major risk component to a company that is in the business of food and beverages. Therefore employees of all levels are responsible for the quality of the product.</p>	<ul style="list-style-type: none"> • Proper training and awareness are given to the employees in production of all levels relating to the quality processes of the company and production. • The product and process improvements are implemented and revised periodically to meet the quality goals. • Revision of quality controls methods and testing methods for raw and powdered milk as per local and international standards. • Measures are also taken to ensure quality throughout the whole supply chain. • Maintaining the world renowned ISO 9001:2008 quality certification awarded for our products.
Natural Events	
<p>Adverse weather conditions may effect on reduced consumer demand as well as the natural grazing system in our farms.</p>	<ul style="list-style-type: none"> • Whenever possible measures are taken to mitigate the effect of these natural events.
Economic Environment & Government Policy changes	
<p>The Group's business operations are sensitive to the economic conditions such as consumer spending which is affected by the disposable income of the people, inflation, producer price controlling, minimum certified price for raw milk, changing import duties on milk powder.</p>	<ul style="list-style-type: none"> • These conditions are taken into account when purchasing raw materials and in the sales plans.

Risk	Mitigation activities
Compliance, Regulatory and Legal Risks	
<p>This refers to the possible legal actions against the company, compliance and regulatory requirements related risks.</p>	<ul style="list-style-type: none"> • The company always takes preventive measures to mitigate such risks by complying with all the relevant regulations and regulatory matters. • In case of breaching of agreements, the company involves internal and external legal experts to mitigate such risks.
IT RISK	
<p>This includes hardware and software failure, human error, spam, viruses and malicious attacks as well as natural disasters such as fires/ floods etc. It is of immense importance to develop a response plan in an event of crisis through identifying risks to the IT systems and data in order to reduce or manage such risks.</p>	<ul style="list-style-type: none"> • System backups are taken to mitigate software failures and the software is regularly updated to the latest versions. • Root causes are found and problems fixed with respect to application failures. • Latest anti-spyware and anti-virus protection are installed to protect from virus while firewall & other security controls and passwords are used to prevent hacking and unauthorised intrusions to the computers.
PEOPLE RISK	
<p>This refers to a failure to attract, retain, develop and motivate the best employees throughout the Group. This may impact on the group's ability to deliver its operational and strategic objectives. This may even affect product quality, output, market share and the company's reputation.</p>	<ul style="list-style-type: none"> • Recruiting the best people. • Remuneration packages are benchmarked to ensure that we remain competitive. • Including incentive arrangements where appropriate. • Responding to grievances and staff complaints.
COMPETITION & CONSUMER PREFERENCES	
<p>The Risk involved with competition is the risk that arises when competitors reduce the Group's market share and/or drive down margins in specific markets. The changing consumer preferences, lifestyle changes and global trends need to be met to mitigate unfavourable conditions.</p>	<ul style="list-style-type: none"> • Improving our product lines. • Focus on brand development. • Ensuring that our prices offer good value. • Building stronger relationships with suppliers. • Ensuring the product quality and focusing on the global trends – healthy lifestyle, liquid milk consumption etc.

Report of the Audit Committee

Composition

The Audit Committee appointed by and responsible to the Board of Directors comprises of two Independent Non-Executive Directors. The Chairman of the committee is Mr. D.S.K. Amarasekera, an Attorney-At-Law and Chartered Accountant, and Dr. A. Shakthevale the Independent Non Executive Director is the other member of the Audit Committee. They possess the requisite knowledge to carry out their roles effectively and to discuss matters that come within their purview independently and professionally.

Meetings and Reviews

The committee met every quarter during the financial year ended 31st March 2015 and both members of the Committee attended all these meetings which were also attended by the Finance Manager.

Financial Reporting

The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and Annual Financial statements with the Management and the External Auditors to ensure reliability of the process and consistency of the Accounting Policies adopted and in its compliance with the Sri Lanka Accounting Standards and the provision of the Companies Act No. 7 of 2007.

Internal Audit

The Internal Audit function of the Company is carried out by the Internal Audit Division and the Audit Committee reviewed the effectiveness of the internal audit plan to ensure that it has been designed to provide reasonable assurance that the financial reporting system adopted by the Company can be relied on, in the preparation and presentation of financial statements.

Recommendation

The Audit Committee has recommended to the Board of Directors that Messrs KPMG be appointed as Auditors for the financial year ending 31st March 2016, subject to the approval of the share holders at the Annual General Meeting. The independence of the External Auditors is assessed by the Audit Committee and confirmed as satisfactory.

Conclusion

The Audit Committee is satisfied that the Company's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Company are managed in accordance with the Company policies, and its assets are properly accounted for and adequately safeguarded.



Mr. D. S. K. Amarasekera
Chairman



Dr. A. Shakthevale
Director

10th August 2015

Report of the Remuneration Committee

The Remuneration Committee of Lanka Milk Foods (CWE) PLC, appointed and responsible to the Board of Directors, comprises of two Independent Non-Executive Directors. They are namely Mr. D. S. K. Amarasekera who chairs the committee and Dr. A. Shakthevale. This committee is responsible for determining the remuneration policy relating to key management personnel.

Remuneration Policy

The remuneration policy of the Company is to attract, motivate and retain the best professional and managerial talent to the Company and also to motivate and encourage staff to perform at the highest possible level. The Committee is responsible for monitoring the remuneration policy of the Company for its executives and other senior staff.

Meetings

The Committee meets once in every quarter. Members of the Committee and the Finance Manager attend these meetings.



Mr. D. S. K. Amarasekera
Chairman



Dr. A. Shakthevale
Director

10th August 2015

Annual Report of the Directors on the Affairs of the Company

The Board of Directors of Lanka Milk Foods (CWE) PLC has the pleasure in presenting their Annual Report together with the Audited Financial Statements of the Group for the year ended 31 March 2015.

Lanka Milk Foods (CWE) PLC is a public limited liability company incorporated in Sri Lanka on 12th November 1981, quoted on the Colombo Stock Exchange in 1983 and registered under the provisions of the Companies Act no 07 of 2007. The company was managed by the Cooperative Wholesale Establishment till its privatisation in 1991.

The Group is in the business of manufacturing, importing, exporting, packing, marketing and distributing powdered milk, dairy products, allied beverages and trading carbonated canned beverages. The core activities of LMF Group are; trading of value added consumables, trading of internationally and locally sourced commodities to both domestic and regional markets.

Review of Performance during the Period

A review of the business of the Company and its performance during this financial year with the comments on the financial results, future strategies and prospects are contained in the Chairman's Review and Management Discussion of this report. This report together with the Financial Statements, reflect the position of the Company.

Financial Statements

The audited financial statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and Notes to the Financial Statements of the Company and the Group

for the financial year ended 31 March 2015 given on pages 52 to 90 form an integral part of the Annual Report of the Board.

Auditors' Report

The auditors' report is set out on page 51.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are in accordance with Sri Lanka Accounting Standards and are given on pages 58 to 65.

Group Results and Dividends

For the year ended 31st March	2014/2015	2013/2014
	Rs. '000	Rs.' 000
Profit from operations	41,511	96,339
Profit /(Loss) before tax	(33,302)	26,524
Income tax expense	31,571	20,447
Profit / (Loss) for the year	(1,731)	46,971

In respect of the year ended 31st March 2015, the Directors have declared a dividend of Rs.1.25 per share. (2014 – No dividends were declared)

Reserves

The movements of reserves during the period are given under the Statement of changes in Equity on pages 56 – 57.

Stated Capital

The stated capital of the company is Rs. 999,950,000 represented by 39,998,000 Ordinary Shares.

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 pages 69 to 71.

Land Holdings

Details of leasehold land owned by the company are given in Note 12 to the Financial Statements on page 70.

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2015 are given in Note 14 to the Financial Statements on page 73.

Major Shareholders, Distribution Schedule and Other Information

Information on the twenty largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on pages 91 - 93 under Investor Information.

Directorate

The Directors listed on the inner back cover have been directors of the company throughout the year under review and their brief profiles appear on pages 18 - 19.

Directors' Remuneration

The remuneration of the directors is given in note 8 on page 67 to the consolidated financial statements.

Directors' Responsibility for Financial Reporting

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

Related Party Disclosures

Transactions with entities that are controlled, jointly controlled or significantly influenced by key managerial personnel or their close members of family or shareholders who have either control, significant influence or joint

control over entity are set out in Note 32 to the Financial Statements.

Interests Register

The company maintains an Interests Register conforming to the Provisions of the Companies Act No. 07 of 2007.

Directors' shareholdings

The Directors' shareholdings in the Company were as follows:

	As at 31st March 2015	As at 31st March 2014
Mr. D. H. S. Jayawardena	Nil	Nil
Mr. R. K. Obeyesekere	Nil	Nil
Mr. Zaki Alif	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Ms. D. S. C. Jayawardena	Nil	Nil
Mr. D. S. K Amarasekera	Nil	Nil
Dr. A. Shakthevale	Nil	Nil

Donations

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

Auditors

Messrs KPMG served as the Auditors during the year under review. The Auditors do not have any interest in the Company other than as Auditors.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Events after the Reporting period

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

Annual Report of the Directors on the Affairs of the Company

The board of directors has recommended a final dividend of Rs. 1.25 per share amounting to Rs. 49,998 Mn. for the year ended 31st March 2015. This is to be approved by the Annual General Meeting to be held on 10th September 2015.

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 Balance Sheet date, have been paid or, where relevant, provided for.

Internal Controls

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

Risk Management

The Risk Management processes currently practiced by the Company to identify and manage potential risks are given on page 38 - 41.

Contingent Liabilities

Except as disclosed in Note 29 to the Financial Statements on page 80, there were no materials Contingent Liabilities as at the Balance Sheet date.

Environment

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

Corporate Governance

The Company aspires to adhere to the best practices in Corporate Governance and the Corporate Governance Rules of the Colombo Stock Exchange. The Corporate Governance practices are presented on pages 34 - 37.


Annual General Meeting

The Annual General meeting will be held on Thursday, 10th of September 2015. The Notice of the Annual General Meeting appears on page 95.

Going concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

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



Mr. D. H. S. Jayawardena
Chairman



Ms. D. S. C. Jayawardena
Director



Mrs. W. C. Hewage
Company Secretary

Lanka Milk Foods (CWE) PLC

10th August 2015

Statement of Directors’ Responsibilities

The Directors under the Companies Act No.7 of 2007 are responsible for ensuring compliance of the requirements set out therein to prepare Financial Statements for each financial year giving true and fair view of the state of affairs such as profit and loss of the Company and its subsidiaries as at the balance sheet date.

The Board of Directors accepts the responsibility for the integrity and objectivity of the Financial Statements presented. The Directors confirm that proper accounting records and policies have been maintained in the preparation of the Financial Statements which have been prepared and presented in accordance with the Sri Lanka Accounting Standards and comply with the requirements in the Companies Act and the listing rules of the Colombo Stock Exchange. Further, the Directors confirm that the Financial Statements have been prepared on an ongoing basis and are of the view that sufficient funds and other resources are available within the Group to continue its operations which in the long run will enable the Company to facilitate planned future expansions and capital commitments.

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

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

Compliance Report

The Directors confirm to the best of their knowledge that all statutory payments pertaining to the government and the employees that were due with respect to the company and its subsidiaries have been paid as at the balance sheet date.



On behalf of the Board of Directors

Mrs. W. C. Hewage
Company Secretary

10th August 2015



Financial Statements

The Group is on a dynamic growth trajectory and is constantly on the lookout for new opportunities to capitalize on and is equipped with modern manufacturing and packaging facilities.

The company continues to explore new diversification strategies to shore up its profitability. We are committed to sustain this growth momentum by adding the right marketing, promotions and product innovation into the mix to ensure that our products remain at the forefront of their categories.

Financial Information



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Independent Auditors' Report



KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF LANKA MILK FOODS (CWE) PLC

Report on the Financial Statements

We have audited the accompanying 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 2015, and the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 52 to 90.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following;

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion:
 - 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.
 - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
 - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Chartered Accountants

10th August 2015
Colombo

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA
R.H. Rajan ACA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Group		Company	
		2015 Rs.000's	2014 Rs.000's Restated	2015 Rs.000's	2014 Rs.000's
Revenue	5	3,952,277	4,571,997	1,957,046	2,446,113
Cost of Sales		(3,641,542)	(4,099,404)	(1,894,013)	(2,274,881)
Gross Profit		310,735	472,593	63,033	171,232
Other Operating Income	6	379,890	236,423	254,758	125,847
Administrative Expenses		(308,057)	(293,714)	(140,115)	(140,458)
Distribution Expenses		(298,768)	(256,184)	(130,339)	(109,985)
Other Operating Expenses		(42,289)	(62,779)	(4,766)	(7,156)
Profit from Operations		41,511	96,339	42,571	39,480
Finance Income		27,309	5,125	16,636	10,171
Finance Expense		(102,122)	(74,940)	(37,178)	(35,589)
Net Finance Expense	7	(74,813)	(69,815)	(20,542)	(25,418)
Profit/(Loss) before Taxation	8	(33,302)	26,524	22,029	14,062
Income Tax (Expense)/Reversal	9	31,571	20,447	46,264	29,957
Profit/(Loss) for the Year		(1,731)	46,971	68,293	44,019
Other Comprehensive Income					
Items that are or may be reclassified to profit or loss					
Net change in Fair value of Available for Sale Investments		1,423,556	1,385,595	1,423,556	1,385,595
Items that will never be reclassified to profit or loss					
Actuarial Loss on Defined Benefit Obligation(Net of tax)		(5,771)	(6,314)	(4,069)	(3,529)
Other Comprehensive Income for the Year (Net of Tax)		1,417,785	1,379,281	1,419,487	1,382,066
Total Comprehensive Income		1,416,054	1,426,252	1,487,780	1,426,085
Profit/(Loss) attributable to :					
Owners of the company		2,885	59,603	68,293	44,019
Non controlling interest		(4,616)	(12,632)	-	-
Profit/(Loss) for the Year		(1,731)	46,971	68,293	44,019
Total comprehensive income attributable to					
Owners of the company		1,420,670	1,438,884	1,487,780	1,426,085
Non controlling interest		(4,616)	(12,632)	-	-
Total Comprehensive Income for the Year		1,416,054	1,426,252	1,487,780	1,426,085
Basic Earnings Per Share (Rs.)	10	0.07	1.49	1.71	1.10
Dividend Per Share (Rs.)	11	1.25	-	1.25	-

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 58 to 90.

Consolidated Statement of Financial Position

As at	Note	Group			Company	
		31/03/2015 Rs.000's	31/03/2014 Rs.000's Restated	01/04/2013 Rs.000's Restated	31/03/2015 Rs.000's	31/03/2014 Rs.000's
Assets						
Non Current Assets						
Property, Plant and Equipment	12	1,789,252	1,962,797	1,786,025	214,959	235,513
Investment in Subsidiaries	13	-	-	-	762,244	767,009
Available for Sale Investments	14.1	9,129,741	7,706,185	6,320,589	9,129,741	7,706,185
Biological Assets	15.1	371,253	306,447	266,707	-	-
Deferred Tax Asset	23	47,936	-	-	47,742	-
		11,338,182	9,975,429	8,373,321	10,154,686	8,708,707
Current Assets						
Inventories	16	1,031,396	794,257	1,014,269	618,716	351,631
Biological Assets	15.2	9,350	15,861	16,367	-	-
Financial Assets Held for Trading	14.2	305,929	236,453	227,893	305,929	236,453
Trade Receivables	17	465,344	372,587	545,373	231,173	209,065
Other Receivables	18	74,187	81,591	102,577	17,688	33,787
Amounts Due from Related Parties	19	35,870	25,723	39,159	837,739	874,609
Income Tax Receivables		24,297	19,613	7,970	11,184	8,042
Cash and Cash Equivalents	20	22,347	65,539	245,420	15,767	49,277
		1,968,720	1,611,624	2,199,028	2,038,196	1,762,864
Total Assets		13,306,902	11,587,053	10,572,349	12,192,882	10,471,571
Equity and Liabilities						
Equity						
Stated Capital	21	999,950	999,950	999,950	999,950	999,950
Capital Reserves		105,116	105,116	105,116	105,116	105,116
Available for sale Reserve		8,892,041	7,468,485	6,082,890	8,892,041	7,468,485
Revenue Reserves		1,378,694	1,381,580	1,388,289	1,373,491	1,309,267
Total Equity attributable to Equity Holders of the Company		11,375,801	9,955,131	8,576,245	11,370,598	9,882,818
Non Controlling Interests		18,211	22,827	35,459	-	-
Total Equity		11,394,012	9,977,958	8,611,704	11,370,598	9,882,818
Liabilities						
Non Current Liabilities						
Loans and Borrowings	25	450,984	517,797	283,825	-	-
Deferred Tax Liability	23	83,042	70,563	92,963	-	295
Retirement Benefit Obligations	24	60,822	49,388	37,196	38,826	29,733
		594,848	637,748	413,984	38,826	30,028
Current Liabilities						
Trade and Other Payables	26	321,654	547,319	1,127,286	182,721	415,916
Amounts Due to Related Parties	27	17,675	73,157	186,137	27,689	102,045
Income Tax Payable		1,021	-	8,752	-	-
Loans and Borrowings	25	466,812	47,671	32,678	400,000	30,968
Bank Overdraft	20	510,880	303,200	191,809	173,048	9,796
		1,318,042	971,347	1,546,662	783,458	558,725
Total Liabilities		1,912,890	1,609,095	1,960,646	822,284	588,753
Total Equity and Liabilities		13,306,902	11,587,053	10,572,349	12,192,882	10,471,571

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 58 to 90.

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



R.N. Attygalle
Finance Manager

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board;



D.H.S. Jayawardena
Chairman



D.S.C. Jayawardena
Director

10th August 2015
Colombo

Consolidated Cash Flow Statements

For the year ended 31st March	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
Cash Flow from Operating Activities				
Profit/(Loss) before tax	(33,302)	26,524	22,029	14,062
Adjustments for;				
Depreciation on property, plant and equipment	230,269	175,680	31,317	29,269
Changes in Fair Value of Held for Trading Investments	(70,923)	(8,561)	(70,923)	(8,561)
Provision for Impairment of Investments in Subsidiary	-	-	4,765	7,156
Provision / (Reversal) of Impairment of Trade Receivables	6,076	5,499	1,809	(7,321)
Loss on Disposal of Property, plant and equipment	(74)	(20,636)	(54)	(787)
Loss on disposal of Financial Assets Held for Trading	(535)	-	(535)	-
Provision for Retirement benefit obligation	10,631	8,497	6,201	5,073
Provision for obsolete of inventories	-	12,960	-	-
Change in Fair Value of Biological Assets	(106,561)	(73,902)	-	-
Loss/(Profit) on Disposal of Biological Assets	(23,483)	28,582	-	-
Dividend income	(129,829)	(114,773)	(129,829)	(114,773)
Interest income	(11,525)	(4,843)	(1,048)	(10,171)
Interest expense	102,122	57,806	37,178	18,457
Operating profit/(loss) before working capital changes	(27,134)	92,833	(99,090)	(67,596)
(Increase)/decrease in inventories	(237,139)	207,052	(267,084)	275,519
(Increase)/decrease in trade and other receivables	(91,428)	188,273	(7,818)	143,778
(Increase)/decrease in related party balances	(65,629)	(99,544)	(37,486)	(153,296)
Increase/(decrease) in trade and other payables	(225,665)	(579,967)	(233,195)	(329,719)
Cash flows used in operations	(646,995)	(191,353)	(644,673)	(131,314)
Interest paid	(102,122)	(57,806)	(37,178)	(18,457)
Income Tax paid	(5,680)	(21,054)	(3,333)	(16,547)
Retiring Gratuity paid	(6,836)	(3,913)	(2,759)	(2,797)
Net Cash flows used in operating activities	(761,633)	(274,126)	(687,943)	(169,115)
Cash Flow from Investing Activities				
Interest received	11,525	4,843	1,048	10,171
Dividend received	129,829	114,773	129,829	114,773
Acquisition of Biological Assets	(69,557)	(30,997)	-	-
Proceeds from Disposal of Held for Trading Investments	1,981	-	1,981	-
Proceeds from Disposal of Property, plant and equipment	396	23,890	54	787
Proceeds from sale of Biological Assets	141,305	37,083	-	-
Purchase and construction of Property, plant and equipment	(57,046)	(355,706)	(10,763)	(20,180)
Net Cash flows generated from/(used in) investing activities	158,433	(206,114)	122,149	105,551

For the year ended 31st March	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
Cash Flow from Financing Activities				
Borrowings during the year	400,000	281,642	400,000	-
Repayment of borrowings during the year	(47,672)	(32,677)	(30,968)	(32,677)
Dividend paid	-	(59,997)	-	(59,997)
Net Cash flows generated from/(used in) financing activities	352,328	188,968	369,032	(92,674)
Net decrease in cash and cash equivalents	(250,872)	(291,272)	(196,762)	(156,238)
Cash and cash equivalents at the beginning of the year	(237,661)	53,611	39,481	195,719
Cash and cash equivalents at the end of the year (Note 20)	(488,533)	(237,661)	(157,281)	39,481
Note B				
Analysis of cash and cash equivalents at the end of the year				
Cash and cash equivalents	22,347	65,539	15,767	49,277
Bank overdraft	(510,880)	(303,200)	(173,048)	(9,796)
	(488,533)	(237,661)	(157,281)	39,481

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 58 to 90.

Consolidated Statement of Changes in Equity

For the year ended 31st March

Group	Attributable to Equity Holders of the Company						Non-Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserve	Dairy Development Project Reserve	Available for Sale Reserve	Retained Earnings	Total		
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's		
Balance as at 31st March 2013	999,950	105,116	110,000	6,082,890	1,292,074	8,590,030	35,459	8,625,489
Prior Year Adjustment (Note A)	-	-	-	-	(13,785)	(13,785)	-	(13,785)
Restated Balance as at 1st April 2013	999,950	105,116	110,000	6,082,890	1,278,289	8,576,245	35,459	8,611,704
Total Comprehensive Income								
Restated Profit for the year (Note B)	-	-	-	-	59,602	59,602	(12,632)	46,970
Other Comprehensive Income								
Net change in Fair Value of Available for Sale Investments	-	-	-	1,385,595	-	1,385,595	-	1,385,595
Actuarial Loss on Defined Benefit Obligation, Net of Tax	-	-	-	-	(6,314)	(6,314)	-	(6,314)
Total Comprehensive income	-	-	-	1,385,595	53,288	1,438,883	(12,632)	1,426,251
Transaction with owners of the Company								
Dividend Paid	-	-	-	-	(59,997)	(59,997)	-	(59,997)
Total contributions and distributions								
Balance as at 31st March 2014	999,950	105,116	110,000	7,468,485	1,271,580	9,955,131	22,827	9,977,958
Balance as at 1st April 2014	999,950	105,116	110,000	7,468,485	1,271,580	9,955,131	22,827	9,977,958
Total Comprehensive Income								
Profit for the year	-	-	-	-	2,885	2,885	(4,616)	(1,731)
Other Comprehensive Income								
Net change in Fair Value of Available for Sale Investments	-	-	-	1,423,556	-	1,423,556	-	1,423,556
Actuarial Loss on Defined Benefit Obligation, Net of Tax	-	-	-	-	(5,771)	(5,771)	-	(5,771)
Total Comprehensive income	-	-	-	1,423,556	(2,886)	1,420,670	(4,616)	1,416,054
Balance as at 31st March 2015	999,950	105,116	110,000	8,892,041	1,268,694	11,375,801	18,211	11,394,012

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 58 to 90.

Restatement due to the Deferred Tax Charge on Biological Assets

Ambewela Products (Private) Limited, a subsidiary of the Group had not recognized the deferred tax liability arising on the temporary difference of the fair value of biological assets during the previous years. This was corrected retrospectively during the year, in accordance with Sri Lanka Accounting Standard LKAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

	Group Rs.'000
Note A - Restated Retained Earnings	
Balance as at 31st March, 2013 as previously reported	1,292,074
Adjustment for the Effect due to the Deferred Tax Charge on Biological Assets	(13,785)
Restated balances as at 1st April 2013	1,278,289
Note B - Restated Profit for the Year ended 31st March 2014	
Profit for the Year ended 31st March 2014 as previously stated	48,428
Effect due to the Deferred Tax Charge on Error Correction	(1,457)
Restated Profit for the Year Ended 31st March 2014	46,971

Consolidated Statement of Changes in Equity

For the year ended 31st March

Company	Stated Capital	Revaluation Reserve	Dairy Development Project Reserve	Available for Sale Reserve	Retained Earnings	Total
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Balance as at 1st April 2013	999,950	105,116	110,000	6,082,890	1,218,774	8,516,730
Profit for the year	-	-	-	-	44,019	44,019
Other Comprehensive Income						
Net change in Fair Value of Available for Sale Investments	-	-	-	1,385,595	-	1,385,595
Actuarial Loss on Defined Benefit Obligation, Net of Tax	-	-	-	-	(3,529)	(3,529)
Total Comprehensive income, Net of Tax	-	-	-	1,385,595	40,490	1,426,085
Dividend Paid	-	-	-	-	(59,997)	(59,997)
Balance as at 31st March 2014	999,950	105,116	110,000	7,468,485	1,199,267	9,882,818
Balance as at 31st March 2014	999,950	105,116	110,000	7,468,485	1,199,267	9,882,818
Profit for the year	-	-	-	-	68,293	68,293
Other Comprehensive Income						
Net change in Fair Value of Available for Sale Investments	-	-	-	1,423,556	-	1,423,556
Actuarial Loss on Defined Benefit Obligation Net of Tax	-	-	-	-	(4,069)	(4,069)
Total Comprehensive income, Net of Tax	-	-	-	8,892,041	64,224	1,487,780
Dividend Paid	-	-	-	-	-	-
Balance as at 31st March 2015	999,950	105,116	110,000	8,892,041	1,263,491	11,370,598

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 58 to 90.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Lanka Milk Foods (CWE) PLC (“the Company”) is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No 579/1, Welisara, Ragama. The Ordinary shares of the Company have a primary listing on the Colombo Stock Exchange.

The Consolidated financial statements of the Group as at and for the year ended 31st March 2015 comprises the Company and its Subsidiaries (together referred to as the “Group” and individually as “Group entities”).

Description of the nature of the operation and principal activities of the Company and its subsidiaries are given in Note 13 to the Financial Statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

The consolidated financial statements were authorized for issue by the Board of Directors on 10th August 2015.

2.2 Basis of Measurement

The consolidated and separate financial statements of the Group and the Company have been prepared on the historical cost basis except for the following material items in the statement of financial position

- i. Financial assets available-for-sale are measured at fair value.
- ii. Retirement benefit liability, recognised based on actuarial valuation (LKAS 19).
- iii. Biological assets are measured at fair value (LKAS 41)
- iv. Assets held for trading are measured at fair value.

No adjustments have been made for inflationary factors affecting the financial statements.

2.3 Functional and Presentation Currency

The Group adopted Sri Lanka Rupee as the functional currency since it is used to a significant extent in

the operations and is useful to reflect the economic substance of the underlying events and circumstances relevant to the Group entities.

These financial statements are presented in Sri Lanka rupees and have been given to nearest thousand, unless stated otherwise.

2.4 Use of Estimates and Judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka requires management to make judgments, estimates and assumptions that affect the application of policies and 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 judgments 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 in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statement include in the following notes.

Note 24 – Retirement Benefit Obligations

Note 23 – Deferred Tax Liability

Note 15 – Biological Assets

2.5 Going Concern

The Board of Directors have made an assessment of the Group’s ability to continue as a going concern in the foreseeable future and they do not intend to liquidate or cease trading.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, where applicable and deviations if any, have been disclosed accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

3.1.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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 acquire; plus
- If the business combination is achieved in stages, the fair value of the pre existing equity interest in the acquire; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed

3.1.2 Non-controlling interests

The total profit and loss for the year of the Company and its subsidiaries included in the consolidated statement of profit or loss and other comprehensive income with proportion of profit and loss after taxation pertaining to minority shareholders of subsidiaries being deducted as “Non – controlling interest”. All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position. The interest of minority shareholders of subsidiaries in the fair value of net assets of the Group are indicated separately in the consolidated statement of financial position under the heading of “Non – controlling interest”.

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

Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3.1.4 Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.1.5 Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non – controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss.

3.2 Assets and Bases of their Valuation

3.2.1 Property, Plant and Equipment

3.2.1.1 Cost

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 capitalised as part of that equipment.

3.2.1.2 Subsequent Expenditure

The Group recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group

Notes to the Financial Statements

and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

3.2.1.3 De-recognition

The carrying amount of an item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal.

3.2.1.4 Depreciation

Depreciation is recognized in profit and loss on a straight line basis over the estimated useful lives of items of property, plant and equipment.

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

The estimated useful lives are as follows:

Class of Assets	Useful Lifetime
Plant and Equipment	10 years
Farm Equipment	10 years
Vehicles	5 years
Fixtures and Fittings	5 years
Computers and Accessories	5 years
Office Equipment	5 years
Roads	5 years

Buildings on leasehold land are depreciated over the unexpired period of lease.

3.2.1.5 Capital Work in Progress

Capital work in progress is transferred to the respective asset accounts at the time of the first utilization or at the time the asset is commissioned.

3.2.1.6 Operating Leases

The land occupied by the Company is on 50 years operating lease from the Government of Sri Lanka. The lease payments under the operating lease are recognized as an expense.

3.2.2 Biological Assets

Biological Assets are stated at fair value less cost to sell with any resultant gain or loss recognized in the Statement of profit or loss except Non Perennial Agricultural Crop is stated at its cost incurred on cultivation.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell and for the changes in fair value less cost to sell of biological assets included in the profit or loss in the period in which arise.

3.2.3 Financial Instruments

3.2.3.1 Recognition and Measurement

The financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction cost that are directly attributable to its acquisition.

3.2.3.1 Recognition and Measurement

Loans and advances are initially recognized on the date at which they are originated at fair value which is usually the loan amount granted and subsequent measurement is at amortized cost.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

All other financial assets are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

3.2.3.2 Classification

At the inception, a financial asset is classified as measured at amortised cost or fair value:

- Loans and receivables - at amortised cost.
- Held to maturity at amortised cost - non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity and measured at amortised cost.
- Held-for-trading - financial assets measured at fair value which changes in fair value recognised in the statement of profit or loss.
- Available-for-sale - this is measured at fair value and is the residual classification with fair value changes recognised in other comprehensive income.

3.2.3.3 Derecognition

Financial assets are derecognized when the contractual right to receive cash flows from the

asset has expired; or when Group has transferred its contractual right to receive the cash flows of the financial assets, and either:

- Substantially all the risks and rewards of ownership have been transferred; or
- Group has neither retained nor transferred substantially all the risks and rewards, but has not retained control of the financial asset.

3.2.3.4 Available for sale

Available-for-sale investments are non-derivative investments that were designated as available-for-sale or not classified as another category of financial assets. These include quoted equity securities. They are carried at fair value. Dividend income was recognised in profit or loss when the Group becomes entitled to the dividend. Fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

In the parent Company's financial statements, investments in subsidiaries are carried at cost less impairment losses in accordance with the Parent Company's accounting policy for investments in Subsidiaries.

3.2.3.5 Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payment that are not quoted in an active market. Such assets are recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using effective interest method, less any impairment losses.

3.2.3.6 Fair Value Measurement

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

3.2.4 Impairment

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets not classified as fair value through profit or loss is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and if that loss event, which has an impact on the estimated future cash flows of the financial asset or the group of financial assets, can be reliably estimated.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers and economic conditions that correlate with defaults.

The Group considers evidence of impairment for financial assets, measured at amortised cost, at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

3.2.4.1 Calculation of Recoverable Amount

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, 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. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Notes to the Financial Statements

3.2.4.2 Reversal of Impairment

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) if no impairment loss had been recognised.

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.

3.4 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of change in value. For the purpose of the Cash Flow Statement, cash and cash equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

3.5 Financial Liabilities

Financial Liabilities are initially recognized in the Statement of Financial Position when, and only when, the Group becomes a party to contractual provision of the instrument.

A financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue.

Subsequent measurement of financial liability is at amortized cost.

The amortized cost of a financial liability is the amount, at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount

Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

3.5.1 Current Liabilities

Liabilities classified as current liabilities in the Statement of Financial Position are those obligations expected to be settled in the Group's normal operating cycle, and due to be settled within twelve months after the reporting date, or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

3.5.1.2 Non Current Liabilities

All liabilities other than current are classified as non-current.

3.6 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

The defined benefit obligation is calculated by using the Projected Unit Credit Method based on the valuation performed by an independent professional actuary as prescribed in Sri Lanka Accounting Standard 19, "Employee Benefits".

The present value of defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high quality corporate bonds that denominated in currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligations.

The Group recognizes all actuarial gains and losses arising from the defined benefit plans immediately in the other comprehensive income. The liability is disclosed under Non – current liabilities in the Statement of Financial Position.

The key assumptions used in computation are disclosed in Notes to the Financial Statements.

However, according to the payment of Gratuity Act No. 12 Of 1983, the liability for gratuity payment to an

employee arises only after the completion of five years of continued service with the Company. The liability is not externally funded.

3.6 Retirement Benefit Obligations

b) Defined Contribution Plans - Employees Provident Fund and Employees Trust Fund

All employees who are eligible for Employees Provident Fund contribution and Employees Trust Fund contribution are covered by relevant contribution funds in line with respective statutes and regulations. The Group contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

3.7 Provisions

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 benefit will be required to settle the obligation. Provisions and liabilities are recognized in the Statement of Financial Position.

3.8 Statement of Profit or Loss

3.8.1 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognized when the risks and rewards of ownership has been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue is recorded at invoice value net of brokerage and other levies related to revenue.

3.8.2 Interest Income

Interest income is recognised as the interest accrues, unless future collection is in doubt.

3.8.3 Disposal of Property, Plant and Equipment

Gains or losses of a revenue nature on the disposal of Property, Plant and Equipment are accounted for in statement of profit or loss and Other Comprehensive Income.

3.8.4 Sale of Farm products

Sales are recognized when the risks and rewards of ownership has been transferred to the buyer.

3.8.5 Fair Value Adjustment on the Biological Assets

Gain or loss arising from changes in fair value of Biological assets is dealt in the statement of profit or loss and Other Comprehensive Income.

3.8.6 Other Income

Other income is recognised on an accrual basis.

3.8.7 Expenditure Recognition

- a) All expenditure incurred in running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.
- b) For the purpose of presentation of Statement of Profit or Loss, the Directors are of the opinion that the function of expenses method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

3.8.8 Foreign Exchange Gain/Loss

Transactions in foreign currencies are recorded in the functional currency at the average spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the average spot exchange rate ruling at the reporting date. The average spot exchange rate used is the middle rate of the commercial bank's spot rates quoted for purchase or sale of the relevant foreign currency. The Group do not have any non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency.

3.8.9 Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

3.8.10 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Notes to the Financial Statements

3.8.11 Current Income Tax

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereon.

3.8.12 Deferred Taxation

Deferred tax is provided using the liability method on temporary difference at the reporting date between the tax base of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred Tax assets and liabilities are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date. Income tax relating to items recognized directly in equity is recognized in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable Company and the same taxation authority.

3.9 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.

3.10 Earnings Per Share

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

3.11 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments operating results are reviewed regularly by the group's operating decision maker to make decisions about the resources to each segment and to assess its performance, and for which discrete financial information is available.

3.12 Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.13 Financial Guarantees

Liabilities under financial guarantee contracts are recorded initially at their fair value, which is generally the fee as per market rate. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortization and the best estimate of the expenditure required settling the obligations.

3.14 Materiality Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3.15 Cash Flow Statement

The cash flow statement is prepared under the Indirect Method. Interest paid is classified as operating cash flows whereas interest received and dividend received are classified as investing cash flows.

3.16 Comparative Information

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

3.17 Events After the Reporting Date

All material events occurring after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the Financial Statements.

3.18 Commitments and Contingencies

Commitments and contingencies as at the reporting period are disclosed in the Financial Statements.

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

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st April 2015. Accordingly, these Standards have not been applied in preparing these financial statements.

- **SLFRS 15 – Revenue from Contract with Customers**

SLFRS 15 – Revenue from contract with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance LKAS 18 – 'Revenue', LKAS 11 – 'Construction contracts'.

SLFRS 15 is effective for annual periods beginning on or after 1st January 2018 with early adoption permitted.

The Group is assessing the potential impact to the financial statements resulting from the application of SLFRS 15.

- **Sri Lanka Accounting Standard – SLFRS 9 "Financial Instruments: Classification and Measurement"**

SLFRS 9 - Financial Instruments: Classification and Measurement replaces the existing guidance in LKAS 39 - 'Financial Instruments: Recognition and measurement'. SLFRS 9 includes revised guidance

on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

SLFRS 9 is effective for annual periods beginning on or after 1st January 2018 with early adoption permitted.

A Group shall apply this SLFRS to all items within the scope of LKAS 39 Financial Instruments: Recognition and Measurement.

- **SLFRS 14 – Regulatory Deferral Accounts**

SLFRS 14 is effective for annual periods beginning on or after 1st January 2016.

The above new or amended standards are not expected to have significant impact of the Group's Consolidated Financial Statements.

Notes to the Financial Statements

For the year ended 31st March	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
5 REVENUE				
Gross Revenue	4,037,296	4,656,131	1,996,948	2,489,771
Less : Nation Building Tax	(85,019)	(84,134)	(39,902)	(43,658)
	3,952,277	4,571,997	1,957,046	2,446,113
6 OTHER OPERATING INCOME				
Gain on disposal of property, plant and equipment	74	20,636	54	787
Gain on disposal of Financial Assets Held for Trading	535	-	535	-
Change in Fair Value of Biological Assets	106,561	73,903	-	-
Change in Fair value of Financial Assets Held for Trading	70,923	8,561	70,923	8,561
Commission Income	45,809	-	45,809	-
Dividend income	129,829	114,773	129,829	114,773
Sundry Income	26,159	18,550	7,608	1,726
	379,890	236,423	254,758	125,847
7 NET FINANCE EXPENSE				
Finance Income				
Interest on fixed deposits	158	1,144	158	1,144
Interest on loans and receivables	690	722	690	686
Interest from Trade Receivables	10,677	2,977	200	1,625
Gain on translation of foreign currency	15,784	282	14,031	-
Interest on amount due from Related Companies	-	-	1,557	6,716
	27,309	5,125	16,636	10,171
Finance Expense				
Interest on Bank Overdraft	(30,353)	(28,617)	(12,007)	(11,741)
Interest on long term borrowings	(71,769)	(28,105)	(25,171)	(6,716)
Interest on bills discounting	-	(1,084)	-	-
Loss on translation of foreign currency	-	(17,134)	-	(17,132)
	(102,122)	(74,940)	(37,178)	(35,589)
Net Finance Expense	(74,813)	(69,815)	(20,542)	(25,418)

For the year ended 31st March	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
8 PROFIT/(LOSS) BEFORE TAXATION				
Profit/(Loss) is stated after charging all the expenses including the followings.				
Directors' Emoluments	5,920	5,215	5,920	5,215
Auditors' Remuneration	-	-		
- Audit Services	3,593	3,578	2,310	2,100
- Audit related services	1,576	957	1,576	957
- Non Audit services	291	275	291	275
Impairment of Investment in Subsidiaries	-	-	4,765	7,156
Depreciation on Property, Plant and Equipment	230,269	175,680	31,317	29,269
Lease Rent for Land	26,612	24,622	67	67
Provision (Reversal) for Impairment Loss on Trade Receivables	6,076	5,499	1,809	(7,321)
Management fees	1,060	1,120	1,060	1,120
Personnel Costs (Note 8.1)	320,156	328,965	182,466	176,660
8.1 Personnel Costs				
Defined Contribution Plan Costs - EPF and ETF	21,997	25,974	13,059	12,081
Defined Benefit Plan Costs - Retirement Benefit Obligation	10,631	7,911	6,201	5,073
Other Staff Costs	287,528	295,080	163,206	159,506
	320,156	328,965	182,466	176,660
Total Numbers of employees as at the end of the year	704	686	301	263
9 INCOME TAX EXPENSE/ (REVERSAL)				
Income Tax for the year (Note 9.1)	2,017	659	191	629
Deferred Taxation Charge / (Reversal) for the year (Note 23)	(33,588)	(21,106)	(46,455)	(30,586)
	(31,571)	(20,447)	(46,264)	(29,957)

- a) The Profits and income of Lanka Milk Foods (CWE) PLC is liable for income tax at the rate 28% in terms of the Provisions of the Inland Revenue Act No.10 of 2006 and subsequent amendments thereto.
- b) In terms of the provisions of Inland Revenue Act No.10 of 2006 and subsequent amendments thereto, the profits and income of Lanka Dairies (Private) Limited, Pattipola Livestock Company Limited and Ambewela Livestock Company Limited generated from agricultural undertaking and animal husbandry are taxed at the rate of 10% . Other income are liable for Income tax at the rate of 28%.
- c) As per the agreement entered into with the Board of Investment of Sri Lanka, the profits and income of Ambewela Products (Private) Limited, enjoy a ten year tax holiday from the Year of Assessment in which the entity commences to make profits or any Year of Assessment not later than two years reckoned from the date of commencement of commercial operations which ever is earlier.

Notes to the Financial Statements

For the year ended 31st March	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
9.1 Income Tax Expense/ (Reversal)				
Profit/(Loss) before Tax	(33,302)	26,524	22,029	14,062
Non business income	(11,626)	(4,894)	(1,049)	(3,455)
Add: Disallowable expenses	381,490	263,782	49,157	42,508
Less: Tax deductible expenses	(554,984)	(562,261)	(27,616)	(28,378)
Less: Tax exempt income	(316,268)	(130,869)	(201,341)	(132,201)
Loss of Ambewela Products (Private) Limited	61,127	62,952	-	-
Business income	(473,563)	(344,766)	(158,818)	(107,464)
Non business income	11,626	4,894	1,049	3,455
Tax loss claimed during the year	(4,069)	(1,714)	(367)	(1,209)
Qualifying Payments during the year	(352)	(827)	-	-
Taxable Income	7,205	2,363	682	2,246
Income tax @ 28%	2,017	659	191	629
Income tax @ 10%	-	-	-	-
Income tax expense	2,017	659	191	629
9.2 Accumulated Tax Losses				
Tax loss brought forward	589,606	246,544	106,255	-
Loss for the Year	473,563	344,766	158,818	107,464
Tax loss claimed during the Year	(4,069)	(1,704)	(367)	(1,209)
Tax loss carried forward	1,059,100	589,606	264,706	106,255

10 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.

	Group		Company	
	2015	2014	2015	2014
Profit Attributable to Ordinary Shareholders (Rs.'000)	2,885	59,603	68,293	44,019
Weighted Average Number of Ordinary Shares ('000)	39,998	39,998	39,998	39,998
Basic Earnings Per Share (Rs.)	0.22	1.53	1.71	1.10

11 DIVIDENDS PER SHARE

	Group		Company	
	2015	2014	2015	2014
Dividend Per Share (Rs.)	1.25	-	1.25	-

Dividend proposed are taken in to consideration for computation of dividend per share. Proposed final dividend has not been recognized as a liability as at reporting date until it is approved at the Annual General meeting.

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Group

	As at 01/04/2014 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2015 Rs.000's
Cost /Deemed Cost				
Leasehold buildings	813,491	4,991	-	818,482
Plant and machinery	1,773,600	27,047	(352)	1,800,295
Laboratory equipment	9,875	-	-	9,875
Factory equipment	204,257	1,892	-	206,149
Canteen equipment	2,952	34	-	2,986
Office equipment	9,449	5	(3)	9,451
Fire fighting equipment	4,255	-	-	4,255
Furniture and fittings	9,650	498	-	10,148
Fixtures	164	15	-	179
Computers	12,400	788	-	13,188
Motor vehicles	182,720	27,782	(102)	210,400
Milk collection equipment	3,660	-	-	3,660
Motor roads and others	50,147	7,700	-	57,847
	3,076,620	70,752	(457)	3,146,915
Accumulated Depreciation				
Leasehold buildings	313,330	22,117	-	335,447
Plant and machinery	524,974	154,995	(33)	679,936
Laboratory equipment	6,335	152	-	6,487
Factory equipment	91,367	20,087	-	111,454
Canteen equipment	2,150	97	-	2,247
Office equipment	8,034	413	-	8,447
Fire fighting equipment	4,255	-	-	4,255
Furniture and fittings	7,394	951	-	8,345
Fixtures	164	-	-	164
Computers	10,155	1,068	-	11,223
Motor vehicles	134,375	23,999	(102)	158,272
Milk collection equipment	3,660	-	-	3,660
Motor roads and others	31,525	6,390	-	37,915
	1,137,718	230,269	(135)	1,367,852
Written Down Value	1,938,902			1,779,063
Capital Work in Progress	23,895			10,189
	1,962,797			1,789,252

Notes to the Financial Statements

12. Property, Plant and Equipment (Continued)

12.1 Group (Continued)

Written Down Value	2015 Rs.000's	2014 Rs.000's
Leasehold buildings	483,035	500,160
Plant and machinery	1,120,359	1,261,416
Laboratory equipment	3,388	3,540
Factory equipment	94,695	100,154
Canteen equipment	739	802
Office equipment	1,004	1,359
Fire fighting equipment	-	-
Furniture and fittings	1,803	2,257
Fixtures	15	-
Computers	1,965	2,245
Motor vehicles	52,128	48,344
Milk collection equipment	-	-
Motor roads and others	19,932	18,624
	1,779,063	1,938,901
Capital Work in Progress	10,189	23,896
	1,789,252	1,962,797

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

	2015 Rs.000's	2014 Rs.000's
Lanka Milk Foods (CWE) PLC	183,060	181,145
Lanka Dairies (Private) Limited	109,196	49,767
Ambewela Livestock Company Limited	83,165	72,711
Pattipola Livestock Company Limited	49,014	39,146
	424,435	342,769

(b) The factory and all office buildings are constructed on leasehold lands obtained from the Government of Sri Lanka on a 50 years lease. Lease rentals are paid annually. Details of the Lands obtained from the Government of Sri Lanka under lease are as follows;

Name of the Company	Location	Annual Lease rental Rs.	Lease commenced from
Lanka Milk Foods (CWE) PLC	Welisara	67,000	1st Feb 1983
Ambewela Livestock Company Limited	Ambewela	15,854,087	3rd Oct 2001
Pattipola Livestock Company Limited	Pattipola	10,757,802	3rd Oct 2001
		26,678,889	

(c) 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.

(d) 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.

12.2 Company

Cost /Deemed Cost	As at 01/04/2014 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2015 Rs.000's
Leasehold buildings	358,951	-	-	358,951
Plant and machinery	171,408	4,913	-	176,321
Laboratory equipment	2,843	-	-	2,843
Factory equipment	9,076	-	-	9,076
Canteen equipment	2,952	34	-	2,986
Office equipment	7,862	2	-	7,864
Fire fighting equipment	4,223	-	-	4,223
Furniture and fittings	3,897	7	-	3,904
Fixtures	164	-	-	164
Computers	9,483	429	-	9,912
Motor vehicles	104,975	5,378	(102)	110,251
	675,834	10,763	(102)	686,495
Accumulated Depreciation				
Leasehold buildings	205,078	8,548	-	213,626
Plant and machinery	145,241	4,318	-	149,559
Laboratory equipment	2,801	7	-	2,808
Factory equipment	4,222	640	-	4,862
Canteen equipment	2,150	97	-	2,247
Office equipment	6,577	375	-	6,952
Fire fighting equipment	4,223	-	-	4,223
Furniture and fittings	3,056	253	-	3,309
Fixtures	164	-	-	164
Computers	7,854	735	-	8,589
Motor vehicles	58,955	16,344	(102)	75,197
	440,321	31,317	(102)	471,536
Written Down Value	235,513			214,959
Capital Work in Progress	-			-
	235,513			214,959

	2015 Rs.000's	2014 Rs.000's
Written Down Value		
Leasehold buildings	145,325	153,873
Plant and machinery	26,762	26,167
Laboratory equipment	35	42
Factory equipment	4,214	4,854
Canteen equipment	739	802
Office equipment	912	1,285
Fire fighting equipment	-	-
Furniture fittings	595	841
Fixtures	-	-
Computers	1,323	1,629
Motor vehicles	35,054	46,020
	214,959	235,513
Capital Work in Progress	-	-
	214,959	235,513

Notes to the Financial Statements

13 INVESTMENT IN SUBSIDIARIES

Company	2015			2014	
	Holding Percentage	No. of Shares	Cost Rs.000's	No. of Shares	Cost Rs.000's
Lanka Dairies (Private) Limited	100%	500,000	5,000	500,000	5,000
Ambewela Livestock Company Limited	100%	3,000,000	51,137	3,000,000	51,137
Pattipola Livestock Company Limited	100%	1,000,000	46,815	1,000,000	46,815
Ambewela Products (Private) Limited	100%	1,000,000	1,010,000	1,000,000	1,010,000
Indo Lanka Exports (Private) Limited	51%	306,000	30,600	306,000	30,600
			1,143,552		1,143,552
Less : Provision for Impairment of Investments (Note 13.1)			(381,308)		(376,543)
			762,244		767,009

13.1 Provision for Impairment of Investment in Subsidiaries

	2015 Rs.000's	2014 Rs.000's
Balance as at the beginning	376,543	369,387
Charge for the year	4,765	7,156
Balance as at the end	381,308	376,543

13.2 Principal Subsidiaries

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

14 INVESTMENT IN SHARES

	2015		2014	
	No of Shares	Fair Value Rs.000's	No of Shares	Fair Value Rs.000's
14.1 Available for Sale Investments				
Group/Company				
Distilleries Company of Sri Lanka PLC	37,961,500	9,129,741	37,961,500	7,706,185
		9,129,741		7,706,185
14.2 Financial Assets Held for Trading				
Group/Company				
Asia Capital PLC	-	-	60	1
Browns Beach Hotels PLC	1,251,558	31,289	1,251,558	23,905
Colombo Dockyard PLC	219,948	36,401	219,948	38,095
Commercial Bank of Sri Lanka PLC - Voting	1,418,085	238,239	1,418,085	173,007
Merchant Bank of Sri Lanka PLC	-	-	103,471	1,438
Seylan Bank PLC - Voting	-	-	81	5
Seylan Bank PLC - Non Voting	-	-	82	2
		305,929		236,453

15 BIOLOGICAL ASSETS

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
15.1 Livestock				
Balance as at the beginning	306,447	266,707	-	-
Additions during the year	60,206	14,693	-	-
Increase in Fair Value during the year	106,561	73,902	-	-
Disposals during the year	(101,961)	(48,855)	-	-
Balance as at the end	371,253	306,447	-	-
15.2 Non Perennial Crops - At Cost				
Balance as at the beginning	15,861	16,367	-	-
Additions during the year	9,350	16,304	-	-
Disposals during the year	(15,861)	(16,810)	-	-
Balance as at the end	9,350	15,861	-	-

The group has used the following significant assumptions in determining the fair value of the Biological Assets as at 31st March 2015.

- Weight
- Pregnancy
- Milk Production
- Lactations
- Age

Notes to the Financial Statements

15.3 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 31st March Group	-10% Rs. Rs.000's	2015 Rs. Rs.000's	+ 10% Rs. Rs.000's
Livestock	334,127	371,253	408,378
Total		371,253	

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 31st March Group	-10% Rs. Rs.000's	2015 Rs. Rs.000's	+ 10% Rs. Rs.000's
Livestock	335,788	371,253	398,218
Total		371,253	

15.4 Measurement of Fair Values

a) Fair Value Hierarchy

The fair value measurements of for the standing livestock have been categorized as Level 2 valuation based on observable market sales data.

b) Level 2 Fair Values

The break down of the total gains (losses) in respect of Level 2 fair values is shown below.

Group	2015 Rs.000's	2014 Rs.000's
Gain included in other income		
Change in fair value (unrealized)	106,561	73,903
	106,561	73,903
Loss included in other operating income/(expense)		
Change in fair value (realized)	23,483	(28,582)
	23,483	(28,582)

15.5 Valuation Techniques Used

Type	Valuation Technique
Livestock comprises cattle characterised as commercial or breeders	Market Comparison Technique: The fair values are based on the market price of livestock of similar age, weight, pregnancy, lactations and milk production.

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
16 INVENTORIES				
Raw Materials and Consumables	837,969	721,041	481,957	332,184
Finished Goods	88,882	46,882	42,325	19,288
Goods in Transit	129,207	50,996	94,434	159
	1,056,058	818,919	618,716	351,631
Less : Provision for Obsolete Inventories (Note 16.1)	(24,662)	(24,662)	-	-
	1,031,396	794,257	618,716	351,631
16.1 Provision for Obsolete Inventories				
Balance as at the beginning	24,662	11,702	-	-
Charge for the year	-	12,960	-	-
Balance as at the end	24,662	24,662	-	-
17 TRADE RECEIVABLES				
Trade Receivables	533,816	434,983	264,933	241,016
Less: Provision for Impairment Loss (Note 17.1)	(68,472)	(62,396)	(33,760)	(31,951)
	465,344	372,587	231,173	209,065
17.1 Provision for Impairment Loss				
Balance as at the beginning	62,396	56,897	31,951	39,272
Charge for the year	6,076	5,499	1,809	-
Reversal during the year	-	-	-	(7,321)
Balance as at the end	68,472	62,396	33,760	31,951
18 OTHER RECEIVABLES				
Deposits and Prepayments	22,096	37,708	1,640	22,504
Insurance Receivables	-	190	-	190
Other Taxes Recoverable (Note 18.1)	24,753	24,559	5,236	4,565
Sundry Receivables	19,871	14,095	4,730	2,320
Staff Loans and Advances	7,467	5,039	6,082	4,208
	74,187	81,591	17,688	33,787
18.1 Other Taxes Recoverable				
With holding Tax	29	29	-	-
Nation Building tax	-	2,604	-	2,604
National Security Levy	-	509	-	509
Value Added Tax	24,724	24,530	5,236	4,565
	24,753	27,672	5,236	7,678
Less: Provision for NSL and TT Recoverable	-	(3,113)	-	(3,113)
	24,753	24,559	5,236	4,565

Notes to the Financial Statements

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
19 AMOUNT DUE FROM RELATED PARTIES				
Lanka Dairies (Private) Limited	-	-	321,235	231,590
Stassen Exports Limited	30,608	23,381	11,665	1,899
Ambewela Products (Private) Limited	-	-	180,994	326,118
Ambewela Livestock Company Limited	-	-	314,180	312,218
Aitken Spence PLC	1,448	632	1,387	575
Distilleries company of Sri Lanka PLC	3,784	1,710	3,782	1,710
Maudulsima Plantation PLC	18	-	18	-
Lanka Bell (Private) Limited	12	-	12	-
Pattipola Livestock Company Limited	-	-	196,791	192,824
	35,870	25,723	1,030,064	1,066,934
Less : Provision for Impairment	-	-	(192,325)	(192,325)
	35,870	25,723	837,739	874,609
20 CASH AND CASH EQUIVALENTS				
Cash at Bank and in Hand	22,347	55,539	15,767	49,277
Call Deposit	-	10,000	-	-
	22,347	65,539	15,767	49,277
Less : Bank Overdraft	(510,880)	(303,200)	(173,048)	(9,796)
Cash and cash equivalents for the purpose of cash flow statement	(488,533)	(237,661)	(157,281)	39,481
21 STATED CAPITAL				
39,998,000 Ordinary Shares	999,950	999,950	999,950	999,950

22 RESERVES

22.1 Capital reserve on revaluation of property

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

22.2 Dairy Development Project Reserve

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

	Group		Company	
	2015 Rs.000's	2014 Rs.000's Restated	2015 Rs.000's	2014 Rs.000's
23 DEFERRED TAXATION				
Balance as at the beginning	70,563	92,963	295	32,253
Origination/(Reversal) of temporary differences	(35,457)	(22,400)	(48,037)	(31,958)
Balance as at the end	35,106	70,563	(47,742)	295

	Group			Company	
	31/03/15 Rs.000's	31/03/14 Rs.000's Restated	01/04/13 Rs.000's Restated	2015 Rs.000's	2014 Rs.000's
Deferred tax asset	(47,936)	-	-	(47,742)	-
Deferred tax liability	83,042	70,563	92,963	-	295
	35,106	70,563	92,963	(47,742)	295
Deferred tax provision/(reversal)					
Statement of profit or loss	(33,588)	(21,106)	-	(46,455)	(30,586)
Other comprehensive income	(1,869)	(1,294)	-	(1,582)	(1,372)
	(35,457)	(22,400)	-	(48,037)	(31,958)

The deferred tax liability is attributable to the followings;

Company	2015		2014	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Property, plant and Equipment	133,028	37,248	137,043	38,372
On Retirement Benefit Obligations	(38,826)	(10,872)	(29,733)	(8,325)
Tax Losses	(264,709)	(74,118)	(106,255)	(29,752)
	(170,507)	(47,742)	1,055	295

Group	31/03/15		31/03/14		01/04/13	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Property, plant and Equipment	923,162	147,410	650,037	114,760	374,633	87,101
On Retirement Benefit Obligations	54,496	(12,646)	42,176	(9,694)	28,494	(7,317)
On Accumulated Tax Losses	826,952	(130,343)	387,719	(57,898)	76,292	(7,629)
On Biological Assets	231,528	30,685	51,938	23,395	155,390	20,808
		35,106		70,563		92,963

Deferred tax assets have not been recognized in the Financial Statements of a subsidiary of the Group (Ambewela Livestock Company Limited, a subsidiary of the Group) since it is not probable that future taxable profits will be available against which the company can utilize the benefit there from. The Deferred Tax Assets have been recognized in the Financial Statements to the extent of deferred tax liability. The unrecorded Deferred Tax Assets of the subsidiary as at 31st March 2015 is Rs. 7,727,809.

Notes to the Financial Statements

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
24 RETIREMENT BENEFIT OBLIGATIONS				
Balance as at the Beginning	49,388	37,196	29,733	22,556
Interest costs	4,939	4,091	2,973	2,481
Current service costs	5,693	4,406	3,228	2,592
Actuarial (gain)/loss	7,640	7,608	5,651	4,901
Payments during the year	(6,836)	(3,913)	(2,759)	(2,797)
Balance as at the end	60,822	49,388	38,826	29,733

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

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
Interest costs	4,938	4,091	2,973	2,481
Current service costs	5,693	4,406	3,228	2,592
Expense recognized in Comprehensive Income	10,631	8,497	6,201	5,073
Actuarial Loss	7,640	7,608	5,651	4,901
Expense recognized in Other Comprehensive Income	7,640	7,608	5,651	4,901

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.

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.

	2015	2014
i.) Discount rate	10%	10%
ii.) Annual salary increment rate	12%	10%
iii) Retirement Age	55 years	55 years

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

	Group		Company	
	Defined benefit obligation		Defined benefit obligation	
	One percentage point increase Rs.000's	One percentage point decrease Rs.000's	One percentage point increase Rs.000's	One percentage point decrease Rs.000's
Effect on the discounting rate	(2,427)	2,667	(1,471)	1,607
Effect on the salary escalation rate	2,725	(2,527)	1,676	(1,564)

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
25 LOANS AND BORROWINGS				
Term Loans - Secured				
Balance as at beginning	565,468	316,503	30,968	63,645
Add : Loans obtained during the year	400,000	281,642	400,000	-
	965,468	598,145	430,968	63,645
Less : Repayments during the year	(47,672)	(32,677)	(30,968)	(32,677)
Balance as at end	917,796	565,468	400,000	30,968
Amount Payable within one year	466,812	47,671	400,000	30,968
Amount Payable after one year	450,984	517,797	-	-
	917,796	565,468	400,000	30,968

The Group has obtained a long term loan of Rs. 560 Million for the purpose of an expansion project in Lanka Dairies (Private) Limited. This has been secured by a primary mortgage over movable machinery of the Company and corporate guarantee by Lanka Milk Foods (CWE) PLC. Interest is paid 1.25% per annum above the Average Weighted Prime Lending Rate (AWPR) rounded upwards to the nearest 0.5% per annum. The Company borrowed Rs. 400 million from Hatton National Bank PLC as a short term import loan to meet import bills at the prevailing interest rates during the year.

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
26 TRADE AND OTHER PAYABLES				
Trade and Other Payables	209,747	183,632	80,780	60,715
Accrued Expenses	17,243	16,524	7,277	8,038
Outstanding letters of credit	91,464	344,248	91,464	344,248
Unclaimed Dividend	3,200	2,915	3,200	2,915
	321,654	547,319	182,721	415,916
27 AMOUNTS DUE TO RELATED PARTIES				
Stassen Exports (Private) Limited	11,472	65,574	178	65,345
Indo Lanka Exports (Private) Limited	-	-	24,123	32,271
Aitken Spence PLC	979	2,738	237	1,618
Milford Exports (Ceylon) Limited	2,725	2,750	2,725	2,750
Distilleries company of Sri Lanka PLC	2,089	2,048	16	14
Maudulsima Plantation PLC	366	-	366	-
Lanka Bell (Private) Limited	44	47	44	47
	17,675	73,157	27,689	102,045

28 COMMITMENTS

28.1 Operating Lease Commitments

In accordance with the agreements entered by the Company and Group Entities, following operating lease commitments are outstanding as at the reporting date.

28.1.1 Future Minimum Lease Payments

as at 31st March 2015, the minimum future minimum lease payments under non-cancellable leases were as follows

	Group		Company	
	2015 Rs. '000	2014 Rs. '000	2015 Rs. '000	2014 Rs. '000
Less than one year	27,813	24,623	67	67
Between one and five years	111,184	98,493	335	335
More than five years	861,054	786,742	804	871
	1,000,051	909,858	1,206	1,273

a) Company

The Company has an annual commitment of Rs.67,000/- per annum for 50 years from 1983 on the lease of the land at Welisara on which factory and office complex has been constructed.

b) Group Entities

Ambewela Livestock Company Limited and Pattipola Livestock Company Limited have annual commitments of Rs.15,854,087/- and Rs.10,757,802/- per annum respectively to the Government of Sri Lanka for a period of 50 years from 2001 on the lease of lands on which farms are located.

28.2 Capital Commitments

There are no material capital commitments as at the reporting date.

29. 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 Diaries (Private) Limited	HNB	325
Lanka Diaries (Private) Limited	DFCC	560
Ambewela Products (Private) limited	HNB	150
Ambewela Livestock Company Limited	HNB	60
Pattipola Livestock Company Limited	HNB	60
Indo Lanka Exports (Private) Limited	HNB	31.6

30. EVENTS OCCURRING AFTER THE REPORTING DATE

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

The board of directors has recommended a final dividend of Rs. 1.25 per share amounting to Rs. 49,998 Mn. for the year ended 31st March 2015. This is to be approved by the Annual General Meeting to be held on 10th September 2015.

31. OPERATING SEGMENTS REPORTING

	Powdered milk		Trading		Liquid Milk and Others		Agriculture		Elimination		Group	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	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	1,957,046	1,786,249	-	659,864	2,281,392	2,063,322	338,273	347,509	(624,434)	(284,947)	3,952,277	4,571,997
Profit or loss from operation	42,571	28,830	-	10,650	(5,323)	44,224	(6,190)	1,770	10,453	10,865	41,511	96,539
Financing Income/(Cost)	(20,542)	(18,561)	-	(6,857)	(59,493)	(42,560)	5,222	(1,837)	-	-	(74,813)	(69,815)
Income tax Expenses	46,264	29,853	-	104	(11,627)	(10,715)	(3,066)	(25)	-	700	31,571	20,447
Profit/(loss) for the Year	68,293	40,121	-	3,898	(76,443)	(9,051)	334,239	347,442	-	-	(1,731)	46,971
Segment Asset	12,192,882	7,646,993	-	2,824,578	2,327,324	2,430,486	488,535	462,487	(1,701,839)	(1,777,461)	13,306,902	11,587,083
Segment Liabilities	822,284	421,820	-	166,933	1,496,004	1,522,274	668,024	636,355	(1,073,422)	(1,138,288)	1,912,890	1,609,094
Segment Net Assets	11,370,598	7,225,173	-	2,657,645	841,708	898,140	(174,635)	(163,826)	(643,658)	(639,173)	11,394,013	9,977,959
Segment Capital Expenditure	10,763	29,312	-	10,828	55,698	986,910	14,480	21,604	-	-	80,941	1,048,654
Depreciation on Property, plant and equipment	31,317	21,373	-	7,896	192,934	139,767	11,706	10,353	(5,688)	(3,709)	230,269	175,680

Notes to the Financial Statements

32. RELATED PARTY DISCLOSURES

32.1 Transactions with Subsidiary Companies

Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2015 Rs.	2014 Rs.
Lanka Diaries (Private) Limited	Mr. D.H.S Jayawardena	Raw Material Transfer	71,325,547	32,561,896
	Mr. R.K Obeyesekere	Electricity Expenses	47,302,576	37,722,667
	Mr. Zaki Alif	Expense Reimbursement	101,910,889	118,000,862
	Mr. C.R. Jansz	Funds Received	170,900,453	131,714,575
	Ms. D.S.C. Jayawardena	Funds Transfer	267,395,616	180,000,000
		Material Received and Others	723,617	2,408,201
		Inter Company Settlement	226,665,408	202,885,752
Ambewela Livestock Company Limited		Bank Guarantee Provided	885,000,000	885,000,000
	Mr. D.H.S Jayawardena	Inter Company Transactions	2,489,653	3,105,344
	Mr. R.K Obeyesekere	Material received and others	6,129	74,227
	Mr. Zaki Alif	Sales of Milk foods and Energy drinks	574,687	459,629
	Mr. C.R. Jansz	Funds Received	8,624,000	-
	Ms. D.S.C. Jayawardena	Funds Transfer	8,000,000	-
		Inter Company Settlement	653,031	385,834
Pattipola Livestock Company Limited		Bank Guarantee Provided	60,000,000	60,000,000
	Mr. D.H.S Jayawardena	Inter Company Transactions	1,984,955	2,006,424
	Mr. R.K Obeyesekere	Sales of Milk foods and Energy drinks	387,816	515,358
	Mr. Zaki Alif	Material received and others	145,809	186,587
	Mr. C.R. Jansz	Funds Received	8,000,000	-
	Ms. D.S.C. Jayawardena	Funds Transfer	10,000,000	-
		Inter Company Settlement	431,588	471,585
Ambewela Products (Private) Limited		Bank Guarantee Provided	60,000,000	60,000,000
	Mr. D.H.S Jayawardena	Raw Material Transfer	64,188,204	50,840,966
	Mr. R.K Obeyesekere	Expense Reimbursement	19,786,415	19,173,094
	Mr. Zaki Alif	Funds Transfer	10,000,000	-
	Mr. C.R. Jansz	Funds Received	156,680,923	60,000,000
	Ms. D.S.C. Jayawardena	Inter Company Settlement	83,974,619	
		Loan Interest (Paid)	1,556,627	6,716,442
Indo Lanka Exports (Private) Limited		Bank Guarantee Provided	150,000,000	150,000,000
	Mr. D.H.S Jayawardena	Inter Company Transactions	64,644	830,657
	Mr. C.R Jansz	Funds transfer	8,083,297	5,722,800
	Ms. D.S.C. Jayawardena	Fund received	-	2,500,000
		Bank Guarantees Provided	31,600,000	-

Name of the Company	Name of Common Directors	Nature of Transaction	Amount		
			2015 Rs.	2014 Rs.	
Milford Exports Ceylon Limited	Mr. D.H.S Jayawardena	Management Fee	1,000,000	1,000,000	
	Ms. D.S.C. Jayawardena	Director Fees	1,500,000	1,500,000	
Stassen Exports Limited	Mr. D.H.S Jayawardena	Dividend paid	-	20,139,810	
		Sale of Milk Foods	21,036,693	14,098,464	
	Ms. D.S.C. Jayawardena	Services Rendered and Others	9,650,820	7,641,634	
		Purchases of food items to sell	-	654,095,898	
		Services Obtained and Others	932,492	2,743,116	
	Related party settlement	22,924,926	-		
Hatton National Bank PLC	Ms. D.S.C. Jayawardena	Interest Paid	35,620,966	7,535,737	
		Interest Received	158,370	1,107,222	
		Bank Chargers	247,656	171,522	
		Bank Overdraft	172,536,427	9,795,515	
		Import loan	400,000,000	-	
Distilleries Company of Sri Lanka PLC	Mr. D.H.S Jayawardena	Sale of Milk Foods and Energy Drinks	12,049,238	6,151,215	
		Mr. C.R. Jansz	Dividend Income	123,374,875	108,225,153
		Dividend Paid	-	1,145,600	
		Service obtained and others	1,077,589	1,726,261	
		Related party settlement	13,758,977	-	
Aitken Spence and Company PLC	Mr. D.H.S Jayawardena	Sale of Milk Foods and Energy Drinks	16,313,725	9,646,272	
		Clearing Charges and Others	4,348,443	11,192,879	
		Services Obtained and Others	1,350,070	65,944	
		Related party settlement	16,941,838	-	
Lanka Bell (Private) Limited	Mr. D.H.S Jayawardena	Telephone Chargers	735,150	939,464	
		Mr. C.R. Jansz	Purchases of Bell Cards to Sell	72,089,567	92,476,318
		Sale of Milk Foods	26,226	-	
		Related party settlement	26,226	-	
Madulsima Plantation PLC	Mr. D.H.S Jayawardena	Sale of Milk Foods	207,588	321,901	
		Mr. D S K Amarasekera	Casual Wages Paid	1,155,361	1,157,808
		Dr. A Shakthevale	Related party settlement	206,576	-
DFCC Bank PLC	Mr. C.R. Jansz	Loan Repayment	-	32,677,564	
		Loan Interest Paid	1,556,627	6,716,442	
Periceyl (Private) Limited	Mr. D.H.S Jayawardena	Sale of Milk Foods	3,391,795	78,094	
	Mr. C.R. Jansz				

Notes to the Financial Statements

32.2 Transactions with Key Management Personnel

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

a) Loans to Directors

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

b) Key Management Personnel Compensation

There were no compensation paid to key Management personnel during the year other than those disclosed below.

	Group		Company	
	2015 Rs.000's	2014 Rs.000's	2015 Rs.000's	2014 Rs.000's
Short-term employee benefits	4,255	3,715	4,255	3,715
Post employment benefits	428	357	428	357
	4,683	4,072	4,683	4,072

33 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.

33.1 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;

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Trade Receivables	533,816	434,983	264,933	241,016
Other Receivables	74,187	81,591	17,688	33,787
Amounts Due from Related Parties	35,870	25,723	1,030,064	1,066,934
Cash and cash equivalents	22,347	65,539	15,767	49,277
	666,220	607,836	1,328,452	1,391,014

33.1.1 Trade and Other Receivables

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.

33.1.2 Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of Trade and Other Receivables. The main component of this allowance is the collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of trade receivables at the reporting date was as follows;

Group

As at	31st March 2015		31st March 2014	
	Gross Balance Rs.'000	Impairment Rs.'000	Gross Balance Rs.'000	Impairment Rs.'000
Past due 0-60 days	412,329	(70)	327,188	(156)
Past due 60-180 days	49,800	(1,298)	38,716	(189)
Past due 180-365 days	3,509	(151)	1,206	(435)
More than one year	68,178	(66,953)	67,873	(61,616)
Total	533,816	(68,472)	434,983	(62,396)

Company

As at	31st March 2015		31st March 2014	
	Gross Balance Rs.'000	Impairment Rs.'000	Gross Balance Rs.'000	Impairment Rs.'000
Past due 0-60 days	214,773	-	208,856	-
Past due 60-180 days	13,940	-	-	-
Past due 180-365 days	2,620	(160)	338	(129)
More than one year	33,600	(33,600)	31,822	(31,822)
Total	264,933	(33,760)	241,016	(31,951)

33.1.3 Investments

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

33.1.4 Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs.22,341,454 as at 31st March 2015 (Rs.65,539,264 as at 31st March 2014) which represent its maximum credit exposure on these assets.

33.1.6 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.

Name of the Company	Name of the Bank	Amount of the Guarantee Rs.'000
Lanka Diaries (Private) Limited	Hatton National Bank	325,000
Lanka Diaries (Private) Limited	DFCC Bank	560,000
Ambewela Products (Private) Limited	Hatton National Bank	150,000
Ambewela Livestock Company Limited	Hatton National Bank	60,000
Pattipola Livestock Company Limited	Hatton National Bank	60,000
Indo Lanka Exports (Private) Limited	Hatton National Bank	31,600

Notes to the Financial Statements

33 Financial Risk Management (Continued)

33.2 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 31st March

	2015				
	Carrying amount Rs.'000	0-2 months Rs.'000	2-6 months Rs.'000	6-12 months Rs.'000	More than 1 year Rs.'000
Financial Liabilities (Non Derivatives)					
Trade and Other Payables	321,654	290,368	27,919	1,987	1,380
Amounts Due to Related Parties	17,675	15,602	2,073	-	-
Interest bearing loans and borrowings	917,796	200,000	200,000	66,812	450,984
Bank Overdraft	510,880	229,885	106,263	74,732	100,000
	1,768,005	735,855	336,255	143,531	552,364

Company

As at 31st March

	2015				
	Carrying amount Rs.'000	0-2 months Rs.'000	2-6 months Rs.'000	6-12 months Rs.'000	More than 1 year Rs.'000
Financial Liabilities (Non Derivatives)					
Trade and Other Payables	182,721	182,668	53	-	-
Amounts Due to Related parties	27,689	27,689	-	-	-
Interest Bearing Loans and Borrowings	400,000	-	15,483	384,517	-
Bank Overdraft	173,048	173,048	-	-	-
	783,458	383,405	15,536	384,517	-

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

33.3 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.

33.3.1 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.

33.3.1.1 Exposure to currency risk

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

Group

As at 31st March

	2015 USD	2014 USD
Trade and Other Payables	853,283	2,413,911
Gross statement of financial position exposure	853,283	2,413,911

Company

As at 31st March

	2015 USD	2014 USD
Trade and Other Payables	680,000	2,600,960
Gross statement of financial position exposure	680,000	2,600,960

The following significant exchange rates were applicable during the year;

	Average rate		Reporting date spot rate	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
USD	131.17	126.82	133.32	132.32

33.3.1.2 Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD at 31st March 2015 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.

	Strengthening		Weakening	
	Profit or Loss Rs.	Equity Rs.	Profit or Loss Rs.	Equity Rs.
31st March 2015				
USD (10% movement)	11,375,964	11,375,964	(11,375,964)	(11,375,964)
31st March 2014				
USD (10% movement)	31,940,870	31,940,870	(31,940,870)	(31,940,870)

Notes to the Financial Statements

33.3 Market risk (Continued)

33.3.2 Interest rate risk

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

As at 31st March	Carrying amount			
	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Variable Rate Instruments				
Financial Liabilities				
Loans and Borrowings	917,796	565,468	400,000	30,968
Bank Overdrafts	510,880	303,200	173,048	9,796
	1,428,676	868,668	573,048	40,764

33.3.2 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.

33.4 Capital management

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

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Total liabilities	1,912,890	1,609,095	822,284	588,753
Less:				
Cash and cash equivalents	(22,347)	(65,539)	(15,767)	(49,277)
Net debts	1,890,543	1,543,556	806,517	539,476
Total equity	11,994,012	9,977,958	11,370,598	9,882,818
Net debt to equity ratio	0.16	0.15	0.07	0.05

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

33.4.1 Equity Price Risk

Values as appearing in the statement of financial position are sensitive to the 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.

	- 10 % Rs. '000	2015 Rs. '000	+ 10 % Rs. '000
Group/Company			
Available for sale investments	8,216,767	9,129,741	9,129,741
Financial Assets Held for Trading	275,336	305,929	336,522
	8,492,103	9,435,670	9,466,263

33.5 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

33.5.1 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 31st March 2015

	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Available for sale investments	9,129,741	-	-	9,129,741
Financial Assets Held for Trading	305,929	-	-	305,929
	9,435,670	-	-	9,435,670

33.6 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 31st March 2015

	Group		Company	
	Carrying Amount Rs.'000	Fair Value Rs.'000	Carrying Amount Rs.'000	Fair Value Rs.'000
Assets				
Cash and cash equivalents	22,347	22,347	15,767	15,767
Trade and Other receivables	539,531	539,531	248,861	248,861
Amounts due from Related Companies	35,870	35,870	837,739	837,739
Liabilities				
Bank Overdraft	510,880	510,880	173,048	173,048
Trade and Other Payables	321,654	321,654	182,721	182,721
Amounts Due to Related Parties	17,675	17,675	27,689	27,689
Loans and Borrowings	917,796	917,796	400,000	400,000

Notes to the Financial Statements

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

Cash and cash equivalents

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

Trade and other Receivables/Amount due from Related Parties

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

Trade and other Payables/Amount due to Related Parties

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

Loans and Borrowings/Bank Overdraft

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

33.7 Categorization of Financial Assets and Liabilities as at the Reporting Date

Group Financial Instrument	Classification			
	Loans and Receivables	Available for sale investments	Fair value through profit or loss	Held to maturity investments
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and Other Receivables	539,531	-	-	-
Amount due from Related Parties	35,870	-	-	-
Cash and Cash Equipment's	22,347	-	-	-
Available For Sale Investments	-	9,129,741	-	-
Financial Assets Held for Trading	-	-	305,929	-

Financial liabilities	Classification	
	Fair value through profit or loss Rs.'000	Amortized cost Rs.'000
Trade and Other Payables	-	321,654
Interest Bearing Borrowings	-	917,796
Amounts Due to Related Parties	-	17,675
Bank Overdraft	-	510,880

Shareholder and Investor Information

1 STOCK EXCHANGE LISTING

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

Date of listing Colombo Stock Exchange (CSE) - 01.01.1983

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

Ticker symbol - LMF - N0000

ISIN - LK0112N00009

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

2 COMPOSITION ORDINARY SHAREHOLDERS

Category	No of Share Holders 31/03/2015	Total Shares 31/03/2015	Percentage (%) 31/03/2015	No of Share Holders 31/03/2014	Total Shares 31/03/2014	Percentage (%) 31/03/2014
Up to -500	2,373	316,485	0.79	2,483	342,866	0.86
501-1,000	289	247,096	0.62	332	285,492	0.71
1,001-5,000	393	1,089,201	2.72	437	1,135,395	2.84
5,001-10,000	102	784,545	1.96	110	831,536	2.08
10,001-50,000	108	2,211,178	5.52	118	2,428,436	6.07
50,001-10,0000	14	1,118,286	2.80	14	1,093,155	2.73
100,001-1,000,000	25	7,393,910	18.49	28	7,043,821	17.61
1,000,000 & Over	4	26,837,299	67.10	4	26,837,299	67.10
Total	3,308	39,998,000	100.00	3,526	39,998,000	100.00

3 ANALYSIS OF ORDINARY SHARES

Category	No of Share Holders 31/03/2015	Total Shares 31/03/2015	Percentage (%) 31/03/2015	No of Share Holders 31/03/2014	Total Shares 31/03/2014	Percentage (%) 31/03/2014
Individuals -Local	3,076	6,017,092	15.05	3,273	6,294,370	15.74
Individuals - Overseas	50	345,513	0.86	53	432,083	1.08
Companies - Local	175	24,920,537	62.30	194	26,272,263	65.68
Companies - Overseas	7	8,714,858	21.79	6	6,999,284	17.50
Total	3,308	39,998,000	100.00	3,526	39,998,000	100.00

Shareholder and Investor Information

4 DIRECTORS' SHARES

Directors do not hold any shares of Lanka Milk Foods (CWE) PLC

5 VALUE PER SHARE

		Company	
		2014/2015	2013/2014
Earnings	Rs.	1.71	1.10
Dividend	Rs.	1.25	-
Net Assets	Rs.	284.28	247.08

6 MARKET VALUE PER SHARE

Highest Price during the year	Rs.	143.50	131.00
Lowest Price during the year	Rs.	106.00	100.50
Value as at last trading date (31st March)	Rs.	140.00	107.10

7 SHARE TRADING

No. of Transactions		2,137	1,786
No. of Shares traded during the year		4,518,600	2,166,614
Value of Shares traded during the year (Rs. 000)		582,966	253,393
No. of Days traded		197	210
Market Capitalization (Rs. 000)		5,599,720	4,283,785

8 TWENTY MAJOR SHAREHOLDERS

Name	As at 31st March 2015		As at 31st March 2014	
	No. of Shares	% of Issued capital	No. of Shares	% of Issued capital
1. MILFORD EXPORTS (CEYLON) LIMITED	13,426,540	33.57	13,426,540	33.57
2. MILLS ENTERPRISES LIMITED	6,120,290	15.30	6,120,290	15.30
3. MELSTACORP (PRIVATE) LTD	5,946,351	14.87	5,946,351	14.87
4. WALDOCK MACKENZIE LTD/MR H.M.S ABDULHUSSEIN	1,344,118	3.36	1,344,118	3.36
5. PERSHING LLC S/A AVERBACH GRAUSON & CO.	907,607	2.27	422,773	1.06
6. DISTILLERIES COMPANY OF SRI LANKA PLC.	763,733	1.91	763,733	1.91
7. MELLON BANK N.A-THE FRONTIER EMERGING MARKE	643,075	1.61		
8. E.W BALASURIYA & CO. (PVT) LTD	619,212	1.55	619,212	1.55
9. MELLON BANK N.A-COMMONWEALTH OF MASSACHUS	557,665	1.39		
10. TRADING PARTNERS (PVT) LTD	382,327	0.96		
11. J.B COCOSHELL (PVT) LTD	332,661	0.83	332,805	0.83
12. HUSSEINALLY MOHSINALLY SHAIKH ABDULHUSSEIN	280,266	0.70	280,266	0.70
13. SAEMA ENAYAT LOKHANDWALLA	280,000	0.70	280,000	0.70
14. COMMERCIAL BANK OF CEYLON PLC A/C No.04	250,000	0.63	250,000	0.63
15. HALLSVILLE TRADING GROUP INC.	249,221	0.62		
16. COMMERCIAL BANK OF CEYLON PLC/SITHIJAYA FUND	214,778	0.54		
17. PHILLIP SECURITIES PTE LTD	202,000	0.51	202,000	0.51
18. YUSUF HUSSEINALLY ABDULHUSSEIN	201,933	0.50	201,933	0.50
19. ESSAJEE CARIMJEE INSURANCE BROKERS (PVT) LTD	185,689	0.46	179,569	0.45
20. DINESH NAGENDRA SELLAMUTTU	183,502	0.46	183,502	0.46
SUB TOTAL	33,090,968	82.74		
OTHER SHAREHOLDERS	6,907,032	17.26		
GRAND TOTAL	39,998,000	100.00		

Public Share Holders as at 31st March 2015

	No. of public Share Holders	Public Share Holding %
Public Share Holding	3,304	34.35

Ten Year Summary

Company - Rs. '000	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OPERATING RESULT										
Revenue	1,957,046	2,446,113	3,711,003	3,408,036	3,190,564	3,259,460	2,969,741	3,161,061	2,814,514	2,706,477
Gross Profit	63,033	171,232	514,890	388,821	292,266	547,064	370,366	583,530	424,079	367,007
Profit/(Loss) before Tax	22,029	14,062	263,707	35,846	26,817	309,883	26,817	193,508	148,096	121,413
Taxation	46,264	29,957	(32,469)	(31,245)	(10,706)	(107,466)	2,169	(94,722)	(54,406)	(20,679)
Profit/(Loss) after Tax	68,293	44,019	231,238	4,601	16,111	202,417	28,986	98,786	93,690	100,734
Dividends	49,998	-	59,998	39,998	-	59,997	-	38,998	29,998	29,998
STATEMENT OF FINANCIAL POSITION										
Property Plant and Equipment	214,959	235,513	244,602	234,319	233,790	194,607	201,177	210,223	212,157	224,705
Investment	305,929	236,453	227,893	208,941	260,152	293,312	313,028	313,028	393,776	374,159
Current Assets	2,038,196	1,762,864	2,292,285	2,016,498	2,155,369	1,206,060	1,046,059	1,984,676	1,275,627	1,126,581
Total Assets	12,192,882	10,471,571	9,631,641	8,537,898	10,071,276	2,663,192	2,365,851	3,102,264	2,256,399	1,892,364
Total Equity	11,370,958	9,882,818	8,516,730	7,509,196	8,833,247	1,376,841	1,174,424	1,180,930	11,112,142	1,048,450
Non Current Liabilities	38,826	30,028	85,776	115,372	141,987	182,632	203,891	244,951	248,456	198,361
Current Liabilities	783,458	558,725	1,029,135	913,329	1,096,042	1,103,719	987,536	1,676,383	895,801	645,553
RATIOS										
Earnings per shares (Rs.)	1.71	1.10	5.78	0.12	0.46	6.75	0.97	3.29	3.12	3.36
Dividend per shares (Rs.)	1.25	-	1.50	1.00	-	1.50	-	1.30	1.00	1.00
Dividend cover (Times)	1.37	-	3.85	2.84	-	4.50	-	2.53	3.12	3.36
Price earning ratio (Times)	81.87	97.32	18.73	815.00	254.13	12.19	39.33	14.35	12.81	7.82
Total assets to equity (Times)	1.07	1.06	1.13	1.49	1.14	1.93	2.01	2.01	0.20	1.80
Net assets per Share (Rs.)	284.28	247.08	212.93	187.24	220.84	34.42	29.36	29.52	277.82	34.95
Market Value per share (Rs.) (as at 31st March)	140.00	107.10	108.30	97.80	116.90	82.25	38.00	47.25	40.00	26.25
Return on equity %	0.61	0.45	2.72	0.06	0.18	14.70	2.47	8.37	0.84	9.61
Return on Total Assets %	0.56	0.42	2.40	0.05	0.16	7.60	1.23	3.18	4.15	5.32
Gross Profit Ratio %	3.22	7.00	13.87	11.41	9.16	16.78	12.47	18.46	15.07	13.60
Net Profit Ratio %	3.49	1.80	6.23	0.14	0.50	37.00	7.83	16.93	3.33	3.72
Current Ratio (Times)	2.60	3.16	2.23	2.21	1.57	1.09	1.06	1.18	1.42	1.75
Liquidity Ratio (Times)	1.81	2.53	1.62	0.67	0.85	1.70	1.60	1.38	1.64	0.98

Notice of Meeting

Notice is hereby given that the thirty third (33rd) Annual General Meeting of Lanka Milk Foods (CWE) PLC is convened on Thursday the 10th of September 2015 at the Committee Room "B" of Bandaranaike Memorial International Conference (BMICH) Hall at Baudhaloka Mawatha Colombo 07 at 10.00 a.m., when the following ordinary business will be transacted,

1. To receive and consider the Report of the Directors, the Statement of Accounts and the Balance Sheet of the Company for the year ended 31st March 2015 with the Auditor's Report thereon.
2. To approve a final dividend of Rs. 1.25 per share as recommended by the Directors.
3. To re-elect Ms. D.S.C. Jayawardane who retires by rotation at the Annual General Meeting in terms of Article No.94 of the Articles of Association, as a Director of the company.
4. To re-elect Mr. D.H.S. Jayawardena, who is over the age of 70 years and who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007 as a Director of the company by passing the following Resolution.

"That Mr. D.H.S. Jayawardena who attained the age of 70 on 17th August 2012 be and is hereby re-elected as a Director of the Company and it is hereby declared that the age limit of 70 years referred to in section 210 of the companies Act No.7 of 2007 shall not apply to the said Mr. D.H.S. Jayawardena."
5. To re-elect Dr. A. Shakthevale who is over the age of 70 years and who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007 as a Director of the company by passing the following Resolution.

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

6. To re-appoint KPMG as the Auditors for the ensuing year and to authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine payments for the year 2016, for charitable and other purposes, as set out in the Company's donations Act (Cap 147).

By order of the Board



Mrs. W. C. Hewage
Company Secretary

Lanka Milk Foods (CWE) PLC

10th August 2015

NOTES:

1. A Member entitled to attend, or to attend and vote at the Meeting, is entitled to appoint a Proxy to attend, or to attend and vote as the case may be, in his or her stead.
2. A Proxy need not be a Member of the Company. The Form of Proxy is enclosed herewith.
3. The completed Form of Proxy should be deposited at the registered office of the Company at Lanka Milk Foods (CWE) PLC, Welisara, Ragama, before 10 a.m. on 8th September 2015.

Form of Proxy

LANKA MILK FOODS (CWE) PLC

ANNUAL GENERAL MEETING

I/We.....

..... of

being a member/members of the above named Company hereby appoint:

Don Harold Stassen Jayawardena, or failing him

Rajapal Kumar Obeyesekere, or failing him

Cedric Royle Jansz, or failing him

D.S.K. Amarasekera, or failing him

Shakthevale Arinesarajah, or failing him

D.S.C.Jayawardena, or failing her

.....
of.....

as my/our proxy to represent me/us and to vote for me/us and on my /our behalf at the Thirty Third Annual General Meeting to be held on Thursday, 10th September 2015 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this day

of 2015

(.....)

Folio No

.....

Signature/s

Form of Proxy

Notes:

(a) In the 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 of officer. A proxy need not be a member of the Company.

It 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 notarially certified copy thereof shall if required be deposited for inspection, at the office in each case not less than forty eight 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 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 representative, shall be accepted to the execution of the votes or 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 power to sign the proxy without the concurrence of the other joint-holding.

(b) The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the form of proxy.

(c) In the case of non-resident shareholders the stamping can be attended to on return of the signed form of proxy to Sri Lanka.

(d) To be valid the completed form of proxy should be deposited with the Secretary, Lanka Milk Foods (CWE) PLC at the registered office of the company at Welisara, Ragama, not later than 48 hrs prior to 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 form of proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intend to be authenticated.

Circular to Shareholders

Notice is hereby given to the shareholders that the Thirty Third (33rd) Annual General Meeting of Lanka Milk Foods (CWE) PLC will be convened on Thursday, the 10th of September 2015 at the Committee Room "B" of Bandaranaike Memorial International Conference Hall (BMICH) at Baudhaloka Mawatha Colombo 07 at 10.00 a.m. For identification purposes you are kindly requested to bring the National Identity Card or any other form of valid identity such as a driving license or a passport.

A shareholder (other than a Director of the Company) appointing a Proxy to attend the meeting should indicate on the Proxy, the proxy holder's National Identity Card Number and where necessary the shareholders identification. The Proxy holders are also kindly requested to bring the National Identity Card or any other form of valid identity such as a driving license or a passport for identification purposes.

We regret the inconvenience caused to shareholders as a result of adhering to the above procedures, which have been laid down considering the best interest of the Company.

By Order of the Board of

LANKA MILK FOODS (CWE) PLC



(Mrs) W. C. Hewage

Company Secretary

10th August 2015

Note:

01. A member is entitled to attend and vote at the meeting.
02. A member is also entitled to appoint a Proxy to attend and vote in his / her stead.
03. A Proxy need not be a member of the Company.

ඔබට සිංහල හෝ දමිල භාෂාවෙන් සකසනලද පිටපත් අවශ්‍ය නම්,
ඒ බව ලේකම්, සී.ස. ලංකා මිල්ක් ෆුඩ්ස් (සී.ඩබ්ලිව්.ඊ) පී.එල්.සී., වැලිසර, රාගම
යන ලිපිනයට 2015 අගෝස්තු 28 වැනි දිනට ප්‍රථම දන්වන්න.

சிங்களம் அல்லது தமிழ் மொழி பெயர்ப்புகள் உங்களுக்குத் தேவையானால்
தயவு செய்து நிறுவனச் செயலாளர், லங்கா மில்க் புட்ஸ் (சீ டபிள்யூ ஈ) பி.எல்.சி,
வெலிசற, றாகம எனும் முகவரிக்கு கடிதமூலம் 2015 ஓகஸ்ட் 28 ஆம் திகதிக்கு
முன்னர் விண்ணப்பிக்கவும்.

If you require a translated copy in Sinhala or Tamil, please make a request
by a letter addressed to the Company Secretary, Lanka Milk Foods(CWE) PLC,
Welisara, Ragama on or before 28th August 2015.

Attendance Slip

Please bring this Attendance Slip and your National identity Card when attending the Annual General Meeting to be held at Committee Room “B” of Bandaranaike Memorial International Conference Hall (BMICH) at Bauddhaloka Mawatha Colombo 07 at 10.00 a. m. on Thursday, the 10th of September 2015

Signature of Shareholder :

Shareholder's Full Name :

Shareholder's NIC Number :

No. of Shares :

Folio Number :

Signature of Proxy Holder :
(If applicable)

Proxy Holder's Full Name :

Proxy Holder's NIC Number :

Corporate Information

Name of the Company	Lanka Milk Foods (CWE) PLC
Legal Form	A Public Quoted Company with Limited Liability under the provisions of Companies Act No. 7 of 2007
Registered Office	Welisara, Ragama, Sri Lanka Tel : +9411 2956263-5, +9411 5222600 Fax : +9411 2956266 Email : lakspray@lmfgroup.lk Website : www.lmfgroup.lk
Date of Incorporation	12th November 1981
Company Registration No.	PQ 142
Company Secretary	Mrs. W. C. Hewage
Board of Directors	Mr. D. H. S. Jayawardena - Chairman Mr. R. K. Obeyesekere - Director Mr. Zaki Alif - Director (Vacated post on 30th July 2015) Mr. C. R. Jansz - Director Ms. D. S. C. Jayawardena - Director Mr. D. S. K. Amarasekera - Independent Non-Executive Director Dr. A. Shakthevale - Independent Non-Executive Director
Auditors	Messrs. KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha P O Box 186 Colombo 3, Sri Lanka.
Subsidiary Companies	Lanka Dairies (Pvt) Limited Ambewela Livestock Company Limited Pattipola Livestock Company Limited Ambewela Products (Pvt) Limited Indo Lanka Exports (Pvt) Limited
Bankers	Bank of Ceylon Hatton National Bank PLC Hongkong & Shanghai Banking Corporation Ltd Standard Chartered Bank PLC Commercial Bank PLC DFCC Vardhana Bank PLC

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