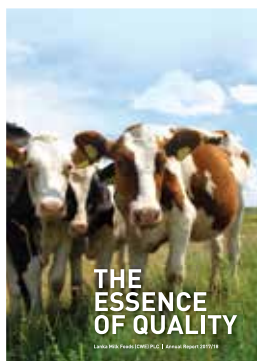


THE ESSENCE OF QUALITY

Lanka Milk Foods (CWE) PLC | Annual Report 2017/18



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THE ESSENCE OF QUALITY

Over the years, Lanka Milk Foods has evolved into a name synonymous with excellence, quality and wholesome goodness. As an entity that prides itself in achieving nothing but the best, your Company has undoubtedly made strides in its mission to provide high-quality dairy products to all, with a focus on safety and nutrition – demonstrated through our numerous achievements, detailed in the pages that follow.

We are thankful to our loyal stakeholders, whose loyalty enabled us to enjoy decades of success. Now, we look forward to a future of truly exceptional value creation, driven by our unwavering commitment to success – one in which we epitomise the essence of quality.

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ABOUT THIS REPORT

Welcome to our Integrated Annual Report

We are committed to the principles of Integrated Reporting, and hope to build on the foundation put in place last year by providing readers with a balanced and concise evaluation of how we create and deliver value to our stakeholders in a sustainable manner. In addition to the relevant financial reporting standards, statutory requirements and sustainability reporting guidelines, the Annual Report aims to fulfil the information requirements and expectations of our stakeholders, providing a transparent overview of our financial, social and environmental performance during the year.

Scope and Boundary

This Annual Report and Financial Statements of Lanka Milk Foods (CWE) PLC ("Lanka Milk Foods" or "Company") and its subsidiaries Lanka Dairies (Pvt) Ltd, Ambewela Products (Pvt) Ltd, Pattipola Livestock Company Limited, Ambewela Livestock Company Limited, Indo Lanka Exports (Pvt) Ltd (collectively referred to as "Group") present the performance for the financial year ending 31st March 2018. The financial and non-financial information presented in the narrative report represents all entities unless otherwise stated. There have been no significant changes to the organisation or its supply chain compared to the previous year.

Standards and Principles

The Financial Statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards and are in compliance with the requirements of the Companies Act No. 7 of 2007 and the Listing Requirements of the Colombo Stock Exchange.

Assurance

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

Feedback

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

Kindly address your feedback to,

Finance Manager
Lanka Milk Foods (CWE) PLC
Welisara,
Ragama
Email - finance@lmfgroup.lk

ABOUT US

Lanka Milk Foods (CWE) PLC is a group of companies, which includes five subsidiary organizations engaged in 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, Lakspray Non-fat, My Juicee and more. In addition to its modern manufacturing and packaging facilities, the company also owns two of Sri Lanka's best Dairy farms, which are Ambewela Farm, and Pattipola Farm. Besides proprietary brands, the Company distributes BLU drink, Happy Cow cheese, Farley's and Heinz products.

Factory Locations

Lanka Milk Foods (CWE) PLC (Head Office)

No. 579/1,
Welisara,
Ragama
+94 11 5 222600
E- lakspray@lmfgroup.lk

Lanka Dairies (Pvt) Limited

No. 579/1,
Welisara,
Ragama
+94 11 5 222600

Ambewela Products (Pvt) Limited

Ambewela Farm
Ambewela
+94 52 5 674447

Dairy Farms

Pattipola Livestock Company Limited

New Zealand Farm
Pattipola
+94 52 5 678118 – (For Farm Visits)

Ambewela Livestock Company Limited

Ambewela Farm
Ambewela
+94 52 5 678119

734
EMPLOYEES

Rs. 7,379,000
REVENUE PER EMPLOYEE



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

OUR PRODUCTS

Lakspray

This is the well-known milk powder brand in Sri Lanka, which has nourished the nation for over five decades. LAKSPRAY is manufactured from natural milk powder, which is made of pure cows' milk free of chemical additives and preservatives.

LAKSPRAY NON FAT, a natural milk powder with its fat extracted. It is available in a 400 g pack to cater to the needs of the health-conscious individual.



Daily - UHT Treated Flavoured Milk

Over a time of two decades, DAILY has added life to many lives. DAILY was the pioneer product in Sri Lanka to be packed in Tetra Pak using the UHT treatment and aseptic processes. It has become the landmark beverage brand of the country ever since.

This flavoured milk is produced using premium quality milk from Ambewela Farms, which is a prime dairy farm complex in Sri Lanka operating under modern farming techniques. The product is shelf stable for six months, under ambient temperature and it's free of artificial additives or preservatives.

DAILY is available in 200 ml packs of Vanilla, Chocolate, Strawberry, Banana, Iced Coffee & Faluda flavours. A one litre pack is available for Faluda variant. This range is exported to Maldives and is very popular amongst the Maldivian youth.

Daily ACTIV UHT Treated Malt Chocolate Food Drink

ACTIV was launched under the brand – 'DAILY' in order to meet the increasing demand for malt based dairy beverages among Sri Lankan consumers. ACTIV exceeds the consumer expectations with the right combination of taste and nutritional value and it has become a great achievement. ACTIV is most famous among the youth and is associated with many of their activities and aspirations.

This 200 ml milk based product is full of natural goodness and the quality associated with our farms. ACTIV is also exported to the Maldivian market and won the hearts and minds of the young Maldivian consumers.



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, in 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

AMBEWELA products have grown to be the trusted source of dairy nutrition in Sri Lankan households over the years. Ambewela milk, which comes from some of the most lush pasturelands of Sri Lanka's greenest hills, ensures that the milk they produce retains its FRESHNESS and QUALITY throughout the entire production process from grass to udder to pack and beyond. Thereby providing nothing but the most nutritious dairy products to their consumers.

Ambewela Full Cream milk and Ambewela Non-Fat milk are UHT processed and aseptically packed in a Tetra brick aseptic pack with a cap to suit the modern lifestyle needs of our liquid milk consumers.

Ambewela UHT flavoured milk is available in 180 ml pouch packs, in chocolate and vanilla flavours.

Ambewela Butter is a 200 g tub introduced to the market in December 2014 and is now available in all super markets island wide.

Ambewela Flavoured Milk

This one litre pack was introduced to the market in the year 2017. It is available in Vanilla and Chocolate flavours.



OUR PRODUCTS

Ambewela KIDDOS

Our 160ml Ambewela KIDDOS pack is the latest addition to the Ambewela range. Ambewela Kiddos has been tailor made to suit the taste palate of Sri Lankan kids, with their nutritional requirements in mind. Added with essential vitamins that are required for their growing age, the product is a healthy and convenient solution for parents to meet the daily nutritional requirements of their children at an affordable and competitive price.



Ambewela Cheese

Cheese is a nutrient dense food and the company has introduced four different types to cater to the diversified requirements of the consumers and the hospitality industry.

In New Zealand Farm - Pattipola, cheese is produced using a more traditional approach and Cheese produced is broadly classified as cottage cheese. The Cheese varieties include EDAM, GOUDA and PARMESAN cheese. Ambewela Gouda can be found in the forms of ball cheese, blocks, grated and shredded types, and varieties of Plain, Chili, Garlic, Cumin and Pepper flavours.

Ambewela Products (Pvt) Ltd (APPL) - Ambewela, produces Cheeses that are into the European palate as APPL caters to the hospitality sector rather than the domestic market. The varieties include cheese blocks and slices of Edam, Gouda and AMBEWELA SPREAD CHEESE in cups of 50 ml and 100 ml sizes.



Ambewela Set Yoghurt

An 80 ml set yoghurt cup that has captured the hearts & minds of many consumers due to its' superior taste, serene color, fine texture and nutritive value. AMBEWELA SET YOGHURT was introduced in the year 2009 as a product extension of the Dairy products portfolio of Ambewela Products (Pvt) Ltd.



Ambewela Drinking Yoghurt

Our creamy smooth vanilla flavoured Ambewela yoghurt drink was introduced by Lanka Dairies (Pvt) Ltd, in February 2016. It is shelf stable for four months without refrigeration and contains no preservatives at all.



Ambewela Goat Milk

A 190 ml ready to drink sterilized goat milk bottle, manufactured from milk of the healthy goats raised at our own farms.

BLU Drink

In 2012, Lanka Milk Foods (CWE) PLC introduced BLU to the Sri Lankan market. It's 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.

This pasteurized product is available in four variants which includes Regular, Cranberry, Lemon – Lime, and Blu Day in cans of 250 ml.



FINANCIAL HIGHLIGHTS

		Group			Company		
		2018	2017	Change %	2018	2017	Change %
OPERATIONS							
Revenue	Rs. '000	5,416,547	5,250,208	3.17	1,870,990	2,053,427	(8.89)
Gross Profit	Rs. '000	938,579	789,861	18.83	131,239	154,936	(15.30)
Profit from Operations	Rs. '000	666,338	624,533	6.70	249,523	218,190	14.36
Profit/(Loss) Before Tax	Rs. '000	631,766	548,704	15.14	278,346	216,919	28.32
Profit/(Loss) for the Year	Rs. '000	580,531	541,956	7.12	276,401	233,844	18.20
Profit/(Loss) Attributable to Equity Holders	Rs. '000	580,784	542,179	7.12	276,401	233,844	18.20
Revenue per Employee	Rs. '000	7,379	7,192	2.60	6,075	6,667	(8.88)
FINANCIAL POSITION							
Non-Current Assets	Rs. '000	11,598,080	11,120,046	4.30	10,494,934	9,996,407	4.99
Current Assets	Rs. '000	2,195,399	1,838,876	19.39	1,582,904	1,784,555	(11.30)
Total Assets	Rs. '000	13,793,479	12,958,922	6.44	12,077,838	11,780,962	2.52
Total Equity	Rs. '000	12,470,426	11,811,601	5.58	11,701,440	11,344,714	3.15
Non-Current Liabilities	Rs. '000	494,501	514,451	(3.88)	62,227	51,429	21.00
Current Liabilities	Rs. '000	828,552	632,870	30.92	314,171	384,819	(18.36)
Net Assets Attributable to Equity Holders	Rs. '000	12,459,082	11,800,004	5.59	11,701,440	11,344,714	3.15
RATIOS							
Earning per Share	Rs.	14.52	13.56	7.08	6.91	5.85	18.12
Dividend per Share	Rs.	2.50	2.50	-	2.50	2.50	-
Dividend Cover	(Times)	5.81	5.42	7.20	2.76	2.34	17.95
Dividend payout Ratio	%	17.22	18.44	(6.62)	36.18	42.74	(15.35)
Interest Cover	(Times)	10.62	6.67	59.22	52.71	11.78	347.46
Net Assets per Share	Rs.	311.49	295.30	5.49	292.55	283.63	3.15
Market Value per Share	Rs.	158.10	117.00	35.13	158.10	117.00	35.13
Price Earning Ratio	(Times)	10.89	8.63	26.19	22.88	20.01	14.35
Debt/Equity	%	10.61	9.72	9.16	3.22	3.85	(16.37)
Return on Equity	%	4.66	4.59	1.53	2.37	2.06	15.05
Return on Total Assets	%	4.21	4.18	0.72	2.29	1.98	15.66
Gross Profit Ratio	%	17.33	15.04	15.23	7.02	7.55	(7.02)
Net Profit/(Loss) Ratio	%	10.72	10.32	3.88	14.78	11.39	29.77
Current Ratio	(Times)	2.65	2.91	(8.94)	5.04	4.64	8.62
Liquid Ratio	(Times)	1.31	1.61	(18.64)	3.45	3.95	(12.66)

Group Revenue
Rs. **5,417**Mn

The Group Recorded a Revenue of Rs. 5,417 million
(Rs. 5,250 million in 2016/2017).

Total Assets
Rs. **13,793**Mn

The Group Total Assets amount increased to
Rs. 13,793 million
(Rs. 12,959 million in 2016/2017).

New Products

Ambewela KIDDOS - 160ml
Ambewela Flavoured Milk - 1litre
Ambewela Non-Fat Milk - 200ml

Group Profit After Tax
Rs. **581**Mn

The Group recorded a Profit After Tax
of Rs. 581 million (Rs. 542 million in
2016/2017).

Group Profit from
Operations
Rs. **666**Mn

The Group recorded a Profit from
Operations of Rs. 666 million
(Rs. 625 million in 2016/2017).

Dividend per Share
Rs. **2.50**




MANAGEMENT REVIEW

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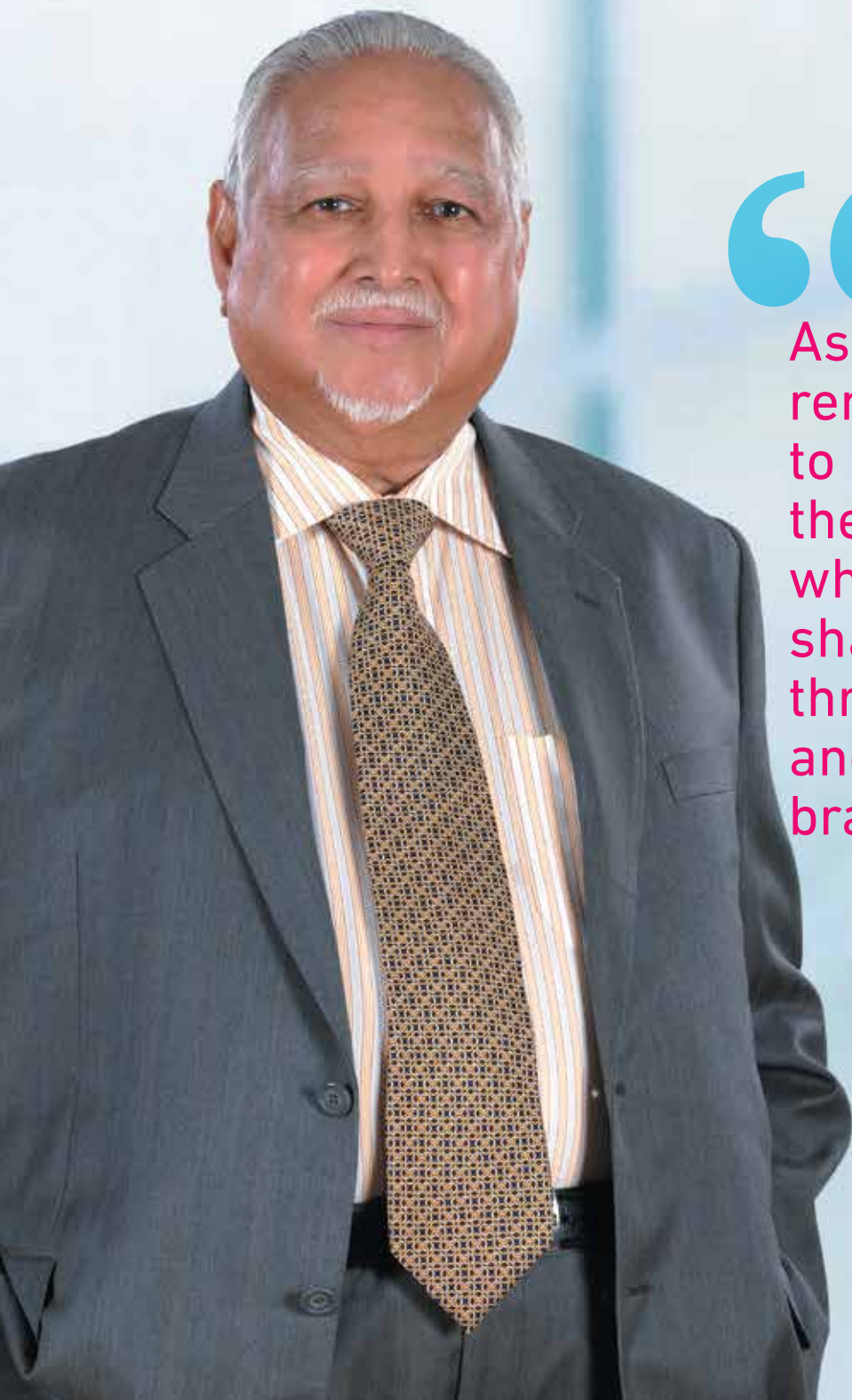
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THE
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CHAIRMAN'S MESSAGE



“

As a Group, we remain committed to adding value to the dairy sector while expanding our share of the market through our popular and high quality brands.

”

I am pleased to present the Integrated Annual Report and the Audited Financial Statements of Lanka Milk Foods (CWE) PLC for the financial year ended 31st March 2018. Our continued faith in the dairy sector was vindicated after years of shrinking margins and unfavourable industry conditions. Apart from stating that the LMF Group achieved record profitability during the year under review, I feel compelled to celebrate the fact that the total national milk production grew by 3.2 % to 396.2 million litres in 2017, compared to 2016, due to favourable policy actions such as distributing high-yielding cows and increasing the guaranteed price of milk to farmers. These actions, for which the Group has been lobbying with authorities for years, resulted in higher private sector investment into the dairy sector in 2017, which is exactly what is needed to boost the sector. I am hopeful that these supportive actions by the government will be sustained so that existing investors, such as the LMF Group, along with new investments in the sector, can jointly improve domestic production of milk to meet the national vision of achieving self-sufficiency in liquid milk, adding to enhanced food security.

Total Assets
Rs. **13,793**Mn

The Group Total Assets amount increased to Rs. 13,793 million (Rs. 12,959 million in 2016/2017).

Share Holders' Value
Rs. **12,459**Mn

Financial Highlights

During the year under review, the Group achieved an impressive increase in net profit to Rs. 581 million as against Rs. 542 million in the previous year. The notable 7% increase in net profit was earned by the liquid milk sector, namely, Lanka Dairies (Pvt) Ltd and Ambewela Products (Pvt) Ltd. As at end March 2018, the Group reached an unprecedented turnover of Rs. 5,417 million. This is the highest-ever recorded profitability by the Group and reflects the returns on extensive investments in diversification and capacity expansion undertaken by the Group over the last few years.

Creating Value

The LMF Group focuses on increasing the net worth of our business through innovation, people, ideas, and brands to create more value to our consumers, shareholders, employees and all the other stakeholders. We strive to provide our consumers with best products, produced with quality raw materials. Through the efficient use of the national economic potential and increase of the gross domestic production we support in increasing the social welfare. Our valued shareholders are at the core of our sustainable operations. During the year, LMF share recorded an all-time high price of Rs. 195 while the lowest traded price was Rs.115. The closing share price recorded was Rs.158.10.

Performance of dairy industry

The dairy industry still remains import dependent, as domestic milk production succeeding in meeting merely 40% of the national demand in 2017 while the rest was met by imported milk powder. However, during the year, milk powder imports decreased slightly due to unfavourable exchange rate and imposition of value-added tax. It is encouraging to see that the Lankan dairy industry is improving - with

new investments to import heifer cows and new dairy farming technology are being implemented. The LMF Group also invested in further capacity expansion during the year to be better positioned to meet growing demand.

Brand Performance

Ambewela Brand was the largest contributor to the group revenue and Ambewela Fresh Milk 1 Litre and Ambewela yoghurt remained as the highest contributing products. This not only benefits our business, but also supports the nation to become self-sufficient in liquid milk in time to come. Meanwhile, Lakspray recorded a turnover of Rs. 1.871 million and Daily recorded a revenue growth of 12%.

The Lanka Milk Foods (CWE) PLC Group has built a sustainable business over decades of fine-tuning our products until they reach the right balance between wholesome goodness and nutrition, taste appeal and hygiene. We are also proud to be known as a respected business entity nourishing the nation through sustainable products for health and nutrition.

Our ultra-modern, sophisticated dairy factory, Ambewela Products (Pvt) Ltd., built at a cost of Rupees one billion adds immense value, producing Ambewela Yoghurt, Ambewela Cheese and flavoured milk. Ambewela Fresh Milk 1 Litre and 200ml packs are the market leaders in Sri Lanka in the fresh milk category.

In addition, the Daily 200ml flavoured milk pack, which is UHT processed and packed in Tetra paper, is a popular value-added product of Ambewela milk and consists of Chocolate, Vanilla, Strawberry, Banana, Iced Coffee, Faluda and Daily Activ, a malt chocolate food drink.

CHAIRMAN'S MESSAGE

Ambewela natural cheeses are processed from the best quality milk. Our dairy farms situated in the Central Hill Country of Sri Lanka at a height of 6,000 feet above sea level offer us a strategic advantage. In 1,130 acres of grazing land, we rear around 2,500 cattle of Ayrshire and Friesian breeds. The stringent scientific controls maintained in these farms result in producing the best quality milk in line with international standards.

Challenging Outlook

The company has proved its mettle year after year in the face of challenging odds, while succeeding in sustaining its steady performance by leveraging on its inherent strengths, ably supported by a loyal base of customers and other stakeholders.

The global full cream milk powder prices kept rising during the second half of the year. The increased duty waiver on imported milk powder was a relief but was not sufficient to record a positive operational income in the milk powder sector. The imposition of a 15% VAT on imported milk powder, and the volatile exchange rate resulted in a slowdown in the segment. Increased exchange rates continue to pose a threat to profitability.

As a Group, we remain committed to adding value to all our stakeholders and the dairy sector while expanding our share of the market through our popular and high quality brands. The Group maintains the highest environmental, social and governance standards which reflects its corporate stewardship.

Imported grass seeds and maintaining grass fields have given an added advantage to the animals to have more protein in grass, which enables cows to produce more milk. We are embarking on a new project with a capital of Rupees two billion to enhance the facilities and to have a herd of

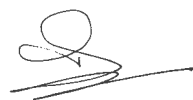
another 1500 animals to increase the milk production. This will be an ultra modern dairy. Already the approvals have been obtained and work will commence shortly.

The powdered milk market is volatile, and state controlled. When prices are moved up in the world market, the regulators do not keep up with the increased prices, thus the importers tend to lose as there is no selling price adjustment. The approvals are not according to the fair-trading act and being considered when increased prices are submitted. Approvals are delayed and importers suffer the losses sometimes over one year.

With quality fresh milk in the market in latest packing, consumption of fresh milk has grown slightly. People have faith in fresh milk. With high quality breeders, we are daily increasing the quantity of milk produced to somewhat international standards. We are also in the process of introducing farm tourism like in other countries, which will be an attractive segment in the industry, at Ambewela.

Appreciation

I wish to place on record my gratitude to my fellow Directors on the Board for placing their confidence in me. The management and staff have demonstrated unwavering commitment during the year towards achieving the group vision. I am pleased to thank our valued shareholders for their support and faith in our sustainable operations. Last but not the least, I would like to thank customers, partners, suppliers and other stakeholders for their strong partnership in our progress.



D H S Jayawardena

Chairman

14th August 2018

DIRECTOR'S REVIEW



“

With sustained consumer preferences for natural dairy products such as fresh milk, yoghurt and cheese, we continued to enjoy a growing market.

”

DIRECTOR'S REVIEW

Lanka Milk Foods (CWE) PLC Group's quest to build a sustainable, ethical and profitable company was successful during 2017/18, considering our accomplishments during the year. The period under review proved highly profitable for the Group, marked by a 7% growth in profit to reach Rs. 581 million. The liquid milk segment of the business sustained its position as the main contributor to profitability, reflecting a growing trend in the consumption of fresh milk as opposed to milk powder.

In Sri Lanka's dairy sector, the increase in the guaranteed price paid to dairy farmers to Rs. 70.00 per litre of milk with effect from June 2017 is an encouraging move to boost the sector. The government's thrust on improving the technology and yield in the sector augurs well for the future of the dairy industry.

Group Performance

The rich and creamy taste of our Ambewela Milk and yoghurt sustains our position as the market leader in those categories. The LMF Group is the only producer of fresh milk that has its own dairy farms where milk is produced under the most stringent hygienic and scientific controls. With sustained consumer preferences for natural dairy products such as fresh milk, yoghurt and cheese, we continued to enjoy a growing market. The growth has been both a welcome and a challenge as we work to produce the required volumes to meet market demand.

Lanka Dairies (Pvt) Ltd improved its turnover from Rs. 2,220 million of the previous year, to Rs. 2,489 million during the financial year ended 31st March 2018. This increase in turnover is mostly due to

the increase in sales of Ambewela Fresh Milk 1 Litre pack, which is the market leader in fresh milk and has become a household name in Sri Lanka. Flavoured liquid milk in 200ml "Daily" packs has become a leading thirst quencher with a high nutritive value and contributed largely to the success of Lanka Dairies (Pvt) Ltd.

Ambewela Products (Pvt) Ltd proved to be a powerhouse for the Group as Ambewela yogurt and Ambewela cheese reached an all-time high sales volume this year. The Company recorded an impressive turnover of Rs. 1,473 million during the period.

Our range of Ambewela Cheese produced with the best quality milk, using most modern machinery, is increasing in popularity amongst consumers. Consequently, the net profit earned by the company increased from Rs.155 million in the previous year to Rs. 206 million in the year under consideration.

Expansion Plans

Aligning our goals with that of the government's vision to achieve self-sufficiency in fresh milk and reduce the import of milk powder, Lanka Milk Foods (CWE) PLC is poised to launch a new Dairy Company in the year 2018 under BOI approval. The new Company proposes to import and install two new ultra modern sophisticated automated milking parlours and four cow sheds specially designed to provide maximum cow comfort, and scientifically proven advanced technologies to increase the production of milk. This Company will be established within Ambewela Livestock Company Ltd and Pattipola Livestock Company Ltd. The estimated cost to establish this company is Rs. 2 Bn. Once this facility becomes operational, we expect it to greatly enhance group profitability.

Furthermore, Lanka Dairies (Pvt) Ltd completed an expansion programme during the year under consideration costing Rs. 284 million, to meet the ever-increasing consumer demand for liquid milk.

Our spirit of innovation has led us to introduce two products during the year - the 160ml Ambewela Kiddos Pack specially designed for kids and Ambewela Flavoured Milk 01 Litre Pack, which have instantly found a foothold in the market. Our brand perception amongst consumers remains high. Consumer confidence is crucial to our success.

Sustainable Operations

As a Group that is adding significant value to the dairy industry, we are mindful of the sustainability of our operations by adopting the highest dairy farming standards. We continue to enhance our relationships

Group Turnover
Rs. 5,417Mn

Profit
After Tax
Rs. 581 Mn

and partnerships in order to advance our industry. The Group is committed to reducing the environmental effects of its operations and to a healthy and safe working environment in order to promote sustainable development.

In the significantly tougher competitive climate, our employees need to be ready to adopt a pro-active stance to adapt to changing market conditions. Our employees understand this requirement and remain committed to our corporate vision.

Appreciation

The Group is making exceptional strides in profitable and sustainable business growth to deliver greater value to our valued shareholders who have supported us. Our employees are pivotal to our success as we forge ahead with expansion plans to meet the growing demand for our nutritious and wholesome products range.



C. R. Jansz

Director

14th August 2018

BOARD OF DIRECTORS



01

Mr. D. H. S. Jayawardena

Executive Chairman

Mr. Harry Jayawardena is one of the most successful and legendary entrepreneurs in Sri Lanka. He heads many successful enterprises in diversified business fields. Mr. Jayawardena was elected Chairman of Lanka Milk Foods (CWE) Plc in October 2008 after serving as its Managing Director for almost 17 years. He is the Founder Director and current Chairman/Managing Director of the Stassen Group of Companies – a diversified group in export and import trade.

He is also the Chairman of Aitken Spence PLC, Browns Beach Hotels PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Milford Developers (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., C B D Exports (Pvt) Ltd., Timpex (Pvt) Ltd., Texpro Industries Ltd., Melstacorp PLC., and its subsidiaries Distilleries Company of Sri Lanka PLC., Periceyl (Pvt) Ltd., Balangoda Plantations PLC., Lanka Bell Ltd., Telecom Frontier (Pvt) Ltd., Bell Solutions (Pvt) Ltd. and 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.

Mr. Jayawardena is a former Director of Hatton National Bank PLC, the largest listed bank in Sri Lanka and a former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines. He is the Honorary Consul General for Denmark in Sri Lanka and the only Sri Lankan to be honoured with the prestigious "Knight Cross of Dannebrog" by Her Majesty Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences and business life.

He was awarded the title, "Deshamanya" in recognition of his service to the motherland in year 2005.



02

Mr. C. R. Jansz

Executive Director

Appointed Director to the Board of LMF on 01st October 1992. He has many years of managerial experience in the Import/ Export field and services related to international trade including logistics, documentation, insurance, banking, and finance.

Mr. Jansz serves as the Chairman of DFCC 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 PLC., Lanka Bell 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 London Metropolitan University (Formerly London Guildhall University) – UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers.



03

Ms. D. S. C. Jayawardena

Executive Director

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

She is also a Director to 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.

BOARD OF DIRECTORS



04

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 in working in the public (Agriculture, Livestock, Education and Health sectors) and private sector, central and provincial ministries and also at district levels.

Dr. Shakthevale was appointed to the Board LMF as an Independent Director on 01st May 2008.

He is also a Director to Madulsima Plantations PLC and Balangoda Plantations PLC.

He served as a Secretary at the Ministry of Rehabilitation and Social Service in the North East Provincial Council; Additional Secretary (Livestock) at the Ministry of Agriculture and Livestock Development for six years; Board Director for MILCO and NLDB; Project Manager,

Millennium Development Goals Project, funded by UNDP; Coordinating Secretary (Parliamentary Affairs) to the Minister of Policy Planning and Implementation; Member of the Sri Lanka Independent Finance Commission; President of the Veterinary Council of Sri Lanka and President of the Senior Veterinary Surgeons Association of Sri Lanka. He has worked at the FAO and UNDP, UNHABITAT, Land O'Lakes, Oxfam GD. At present, he is a member of the Executive Council and a member of the General Forum of the Organization of Professionals Association of Sri Lanka and a freelance Consultant in the field of Livestock Development.



05

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. On 01st May 2008, Mr. Amarasekera was appointed to the Board of Lanka Milk Foods as an Independent Director.

He is also a Director of Balangoda Plantation PLC., Browns Investments PLC., Eden Hotel Lanka PLC., Browns Capital PLC., Kelani Tyres PLC., Madulsima Plantations PLC and Palm Garden Hotels PLC.



06

Mr. D. Hasitha. S. Jayawardena

Non- Independent Non-Executive Director

Mr. Hasitha Jayawardena holds a Bachelor's Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom. He was appointed to the Board of Lanka Milk Foods on 11th July 2016.

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

Mr. Jayawardena has also worked as an Intern at the Clinton Global Initiative programme (CGI) in New York in 2007.

MANAGEMENT DISCUSSION & ANALYSIS

“

THE LMF GROUP
HAS BUILT A
SUSTAINABLE
BUSINESS OVER
DECADES WITH
A PRODUCT
PORTFOLIO THAT
STRIKES THE RIGHT
BALANCE BETWEEN
WHOLESOME
GOODNESS AND
NUTRITION, TASTE
APPEAL AND
HYGIENE.”

OPERATING ENVIRONMENT

Macro-Economic Environment

Sri Lanka's GDP growth declined during 2017 to 3.1% from 4.5% growth recorded in 2016. Agriculture related activities recorded a contraction of 0.8 % against the backdrop of adverse weather conditions that continued from 2016, while a slowdown in economic activity in both services and industrial sectors was observed. The value added growth in the agriculture, forestry and fishing activities declined due to the impact of adverse weather conditions during 2017, as in the previous year. The output of major agricultural crops such as paddy, vegetables, other food crops and coconut declined considerably, mainly due to the drought that prevailed during the year.

Encouraged by elevated prices, tea production, which has been falling in recent years, improved during 2017, with favourable agro climatic conditions in major tea planting areas and factories operating at increased capacity. The livestock sector also recorded a positive performance with

increased output in milk, eggs and most types of meat. Considering the importance of the agriculture sector for the overall wellbeing of the population, the government provided enhanced support for the sector.

During 2017, the unemployment rate declined to 4.2 % from 4.4 % in the preceding year. Inflation remained broadly above the target during 2017. Despite the tight monetary policy stance maintained by the Central Bank, the sharp acceleration in food inflation caused by weather related supply disruptions resulted in unanticipated upward movements in headline inflation. Revisions to Value Added Tax (VAT) and Nation Building Tax (NBT), and higher commodity prices in the global market also contributed to high levels of inflation. During the year, Sri Lanka achieved the historically highest FDI inflows to the country mainly due to the improving macroeconomic environment and positive investor sentiments.

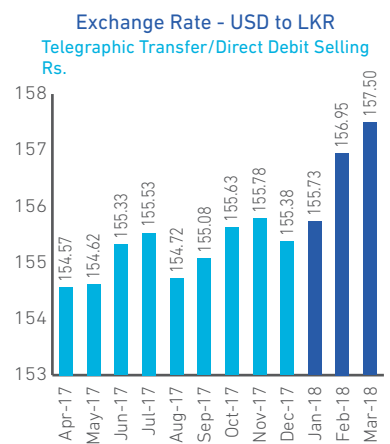
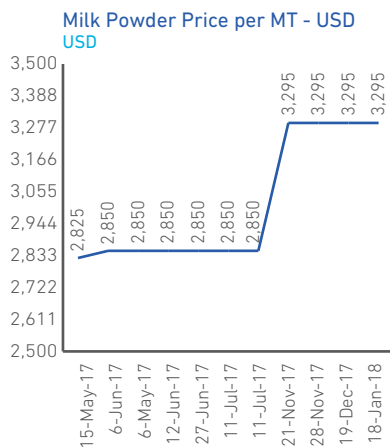
Developments in the Dairy Industry

During the year under review, the government increased the guaranteed price paid to dairy farmers to Rs. 70.00 per litre of milk with effect from June 2017. This measure was a welcome incentive for dairy farmers and encouraged new investments into the sector. The government also took steps to import high yielding cattle during the year. Meanwhile, the National Livestock Development Board (NLDB) finalised the plans to develop Dairy Development Zones through Public-Private Partnerships, using underutilised lands of the NLDB. A new veterinary office was established in the Kegalle District, while another seven veterinary service offices are currently being established throughout the country. Through the Livestock (Dairy) Breeding Project that seeks to boost milk production by strengthening the artificial insemination centres, progeny testing of bull-calves for natural breeding and pasture development were carried out.

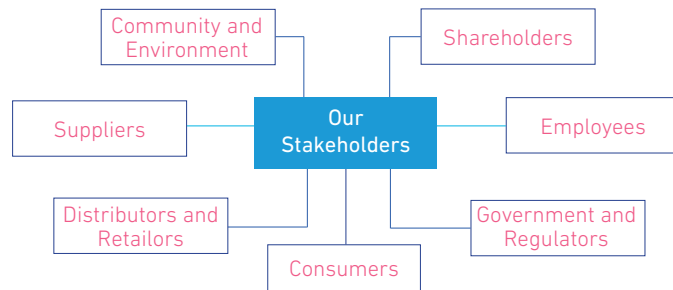


Powdered Milk Industry

Importation of milk powder faced difficulties with the steep increase in world market milk powder price, coupled with the increase in foreign exchange rate of the US Dollar. While costs continued to increase rapidly, the Consumer Affairs Authority did not correspondently increase the selling price of powdered milk. On 08th July 2017 the Customs duty waiver on milk powder was increased to Rs. 223 per kg from Rs. 180 per kg. Hence, the applicable rate is Rs. 2 per kg.



STAKEHOLDER ENGAGEMENT

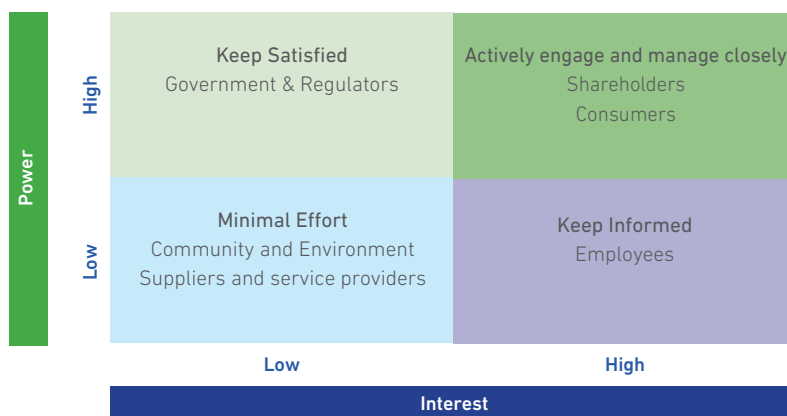


The Lanka Milk Foods (CWE) PLC Group of Companies has built a sustainable business over decades with a product portfolio that strikes the right balance between wholesome goodness and nutrition, taste appeal and hygiene. Our stakeholders in the value chain and end consumers are at the heart of our business, as are the environment and the community at large, within which we operate. Therefore, while we create value for shareholders, we are also proud to be known as a respected business entity nourishing the nation through sustainable products for health and nutrition.

We consider our stakeholders as crucial business partners in our journey towards prosperity. Our stakeholders consist of shareholders, consumers, employees, suppliers and service providers, government and regulators, the environment & community at large. We ensure that our sustainability initiatives touch the lives of our stakeholders in meaningful ways. We realize that livelihoods of many of our stakeholders depend on the sustainability of our

MANAGEMENT DISCUSSION & ANALYSIS

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 stakeholders groups to understand their concerns and analyze and implement ways in which we can satisfy their demands.



The Group's Stakeholder engagement process is as follows:

Stakeholder	Mode of Communication	Frequency of Communication	Concerns of the Stakeholder	Our Response to Stakeholder Concern
Shareholders	• Performance updates through interim financial statements	Quarterly	Return for the investments and risks taken.	Dividends paid for investments
	• Announcements made to CSE	When necessary	Opportunity cost	Sustainable operations
	• Group website	Regularly	Profitability and performance of the entity.	Corporate Disclosure
	• Annual General Meeting	Annually	Sustainability and growth of the entity.	
	• Extraordinary General Meetings	When necessary	Risk Management	
Consumers	• Engagement through Website and Social Media	Regularly	Value and satisfaction for money spent	Providing nutritious, quality products, high in taste.
	• Consumer helpline	Regularly	Taste Quality	Making our products available and easy to reach.
	• Group website	Regularly	Price Availability Healthy and safe products	Innovation of new product. Reasonable competitive prices. Foods safety and quality management.
Employees	• Staff meetings	Regularly	Competitive remuneration packages	Providing safe, supportive living and working conditions,
	• Discussions	When necessary	Benefits for self and family	Including family friendly policies
	• Internal communication methods	When necessary	Incentives and promotions to suit performance.	Shared values and objectives
	• Training programs	When necessary	Motivation - financially and non-financially.	Effective communication systems throughout the organization.
	• Recreational activities	Regularly	Career growth Job security Healthy and happy work environment Work-life balance	

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

MANAGEMENT DISCUSSION & ANALYSIS

TOWARDS A SUSTAINABLE GROWTH

The World Commission on Environment and Development defines Sustainability as "A process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations"

As a Group, we have numerous advantages, which we are leveraging strongly to ensure the sustainability of our business into the future. The discussion which follows shows how the Group's major Capitals have contributed towards sustainable growth.



Financial Capital

During the year, the LMF Group recorded a revenue of Rs. 5,417 million and a profit after tax of Rs. 581 million. A Dividend pay-out of Rs. 100 million is proposed for the year.

The Group remains in a positive state with new strategies to promote consistent growth avenues in the dairy industry in future.

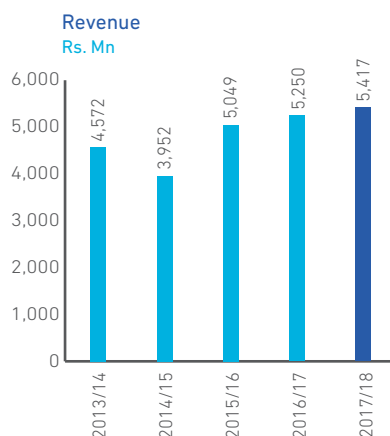
F/Y 2017/2018

Revenue
Rs. 5,417 Mn

Profit After Tax
Rs. 581 Mn

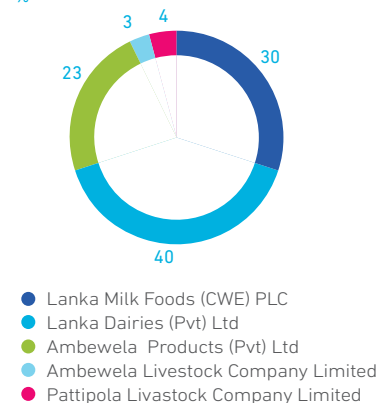
Dividend Paid
Rs. 100 Mn

Our liquid milk sector played the main role in recording a Group revenue of Rs. 5,417 million (5,250 million in 2016/17 year). The powdered milk sector reported a drop in volume and revenue due to limited powder stocks maintained during the year with the adverse economic conditions faced by the imported milk powder sector. The Group



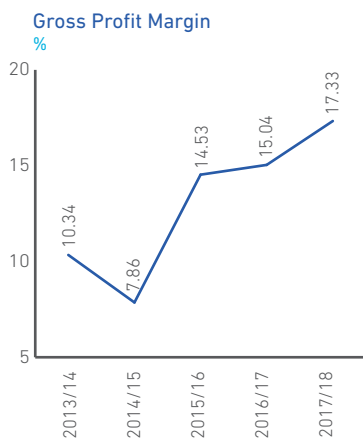
aims in catering the best quality products to our consumers, thus we remain resilient during the challenging times striking a perfect balance in the dairy industry.

Group Revenue - 2018



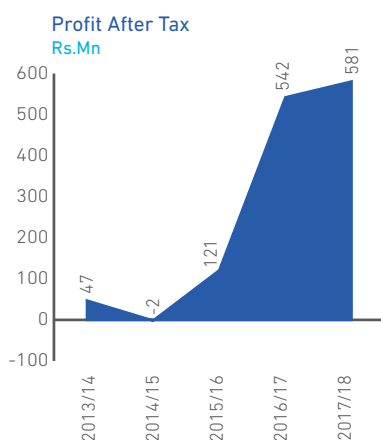
Gross Profit

Despite of the adverse economic conditions, the Group marked a Gross Profit margin of 17.33%. In the midst of cost fluctuations and competitive prices the management ensured that the best quality raw materials were purchased for reasonable negotiated prices.



Profit After Tax

The Group recorded a profit after tax of Rs. 581 million (Rs. 542 million in 2016/2017 year) with a growth of 7% compared to the previous year.

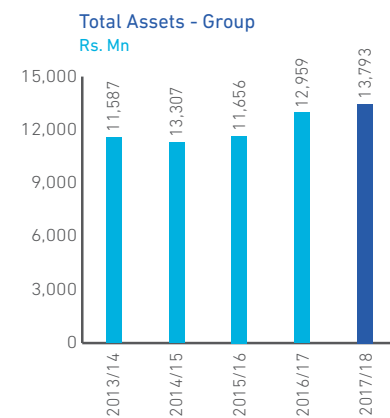
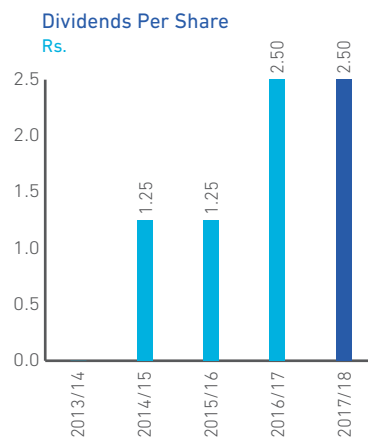


Current Taxation for the year amounted to Rs. 22.7 million (Rs. 12.9 million previous year). 28% and 10% tax rates were effective for the income generated. Information relating to taxation is disclosed in Note 9 and Note 23 to the financial statement.

Dividends and Share Performance

A dividend of Rs. 2.50 per share is proposed and the dividend paid would be Rs. 100 million for the year, which is the same as last year.

During the year LMF share recorded an all-time high price of Rs. 195 and the lowest traded price was Rs.115. The closing share price was Rs. 158.10.

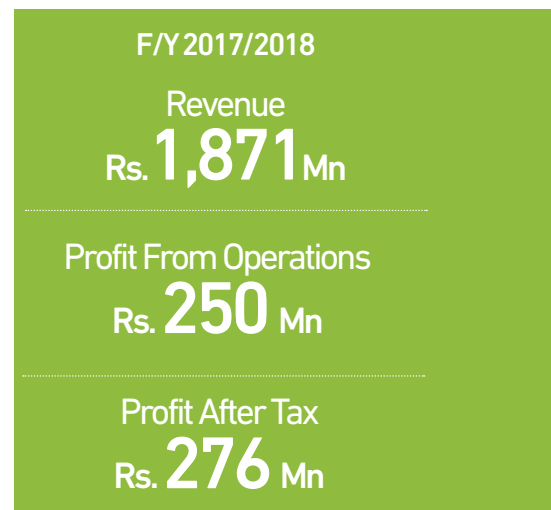


The Group total assets increased from Rs. 12,959 million to Rs. 13,793 million.

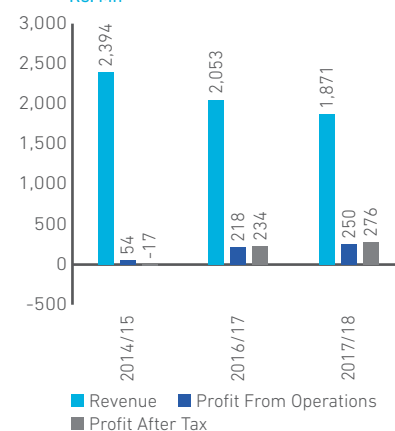
Company Performance

Lanka Milk Foods (CWE) PLC

Since its establishment in 1981, the core business activity of Lanka Milk Foods (CWE) PLC has been importing, packaging, marketing and distributing full cream and skimmed milk powder. The Company operates in a highly volatile industry with changing milk powder prices and Rupee depreciating against US Dollar. Additionally the Company distributes the imported BLU drink to the local market.



Lanka Milk Foods (CWE) PLC Revenue and Profit



The Company managed to record a profit of Rs.276 million compared to Rs.234 million in the previous year despite the reduction of revenue. This was a result of the prudent investments made in the shares of Distilleries Company and Commercial Bank, which earned an impressive annual dividend.

MANAGEMENT DISCUSSION & ANALYSIS

Lanka Dairies (Pvt) Ltd

Lanka Dairies (Pvt) Ltd (LDL) is a fully owned subsidiary of Lanka Milk Foods Group of Companies that produces Tetra packs of Fresh Milk, Flavoured milk and Fruit Juices. It was established in the year 1996.

F/Y 2017/2018

Revenue

Rs. **2,489** Mn

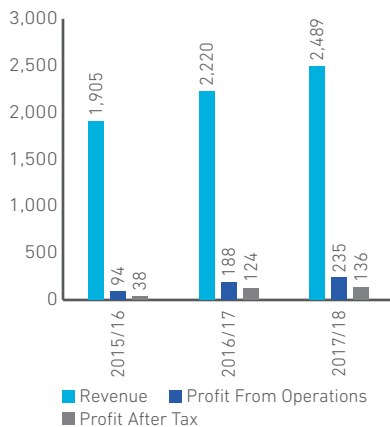
Profit From Operations

Rs. **235** Mn

Profit After Tax

Rs. **136** Mn

Lanka Dairies (Pvt) Ltd Revenue and Profit
Rs. Mn



Lanka Dairies (Pvt) Ltd improved its turnover from Rs. 2,220 million of the previous year, to Rs. 2,489 million during the financial year ended 31st March 2018. This increase in turnover is mostly due to the increase in sales of Ambewela Fresh Milk 1 Litre pack, which is the market leader in the fresh milk category and has become a household name in Sri Lanka.



Our flavoured liquid milk in 200ml "Daily" packs has become a leading thirst quencher with a high nutritive value and contributed largely to the success of LDL. This consumer-friendly product is exported weekly to Maldives. The latest products that were added to our flavoured milk category are the very attractive the 160ml Ambewela Kiddos Pack, which is specially designed for kids and Ambewela Flavoured milk 01Litre pack which is available in Vanilla and Chocolate flavours.

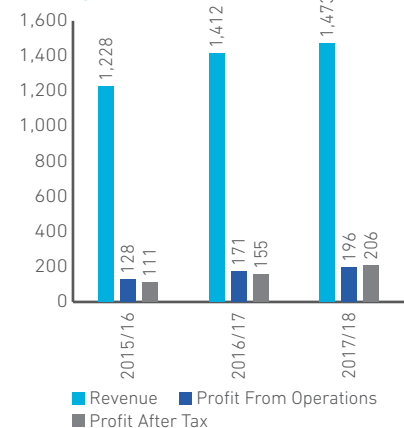
Lanka Dairies (Pvt) Ltd has completed an expansion program during the year under consideration, which amounted to Rs. 284 million, to meet the ever-increasing consumer demand for liquid milk. LDL is equipped with modern machinery for UHT processing and sophisticated Tetra Pak machinery for efficient packaging of milk, thus maintaining the natural goodness of fresh milk.

The management is committed to deliver high quality dairy and fruit juice products to our consumers that provide the nutritional value to build a healthy nation.

Ambewela Products (Pvt) Ltd

Ambewela Products (Pvt) Ltd (APPL) was established in the year 2001. The main product line of APPL is Ambewela Set Yoghurt 80 ml. Other products include, Ambewela 170 ml flavoured milk pouch pack, Ambewela cheese, ghee, butter and frozen fat. Different varieties of Ambewela Cheese produced with best quality milk, using most modern machinery, is highly sought-after by consumers. The Company also sells nonfat and full cream milk to Lanka Dairies (Pvt) Ltd and cattle feed to our dairy farms.

Ambewela Products (Pvt) Ltd Revenue and Profit
Rs. Mn



F/Y 2017/2018

Revenue
Rs. **1,473** Mn

Profit From Operations
Rs. **196** Mn

Profit After Tax
Rs. **206** Mn

The Company continued to experience resounding success as Ambewela Yoghurt recorded the highest sales since inception. Ambewela Yoghurt, unlike its competitors, is manufactured using only the quality milk produced in our own dairy farms at Ambewela. It is with pride that we can state that we are the only producer of fresh milk that has our own dairy farms where the milk is produced under most stringent hygienic and scientific control. The Company recorded a turnover of Rs.1,473 million during the period, as against Rs. 1,412 million during the previous year.

The net profit earned by the company increased from Rs. 155 million in the previous year to Rs. 206 million in the year under consideration. The company will undoubtedly contribute majorly towards the success of Lanka Milk Foods Group of Companies.

Our Dairy Farms

The Ambewela Dairy Farms situated at a height of 6000 Ft above sea level with misty cold fresh air is certainly the best climatic condition for cows to produce high quality milk, which is eventually made available to the consumers, untouched by human hands from the udder of the cow to the consumer.

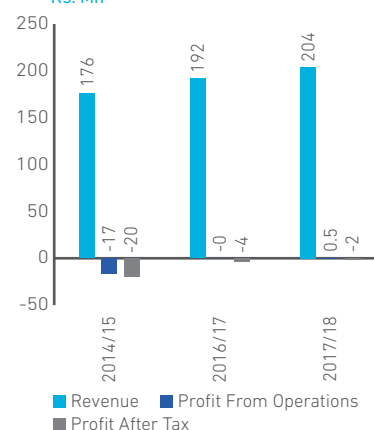
All dairy products of Ambewela brand are produced from the high quality milk produced in our own dairy farms. Stringent hygienic controls, meticulously maintained in our dairy farms produce fresh milk, which is in line with international standards. Cows in our dairy farms are fed with most nutritive silage imported from Spain, and feed supplements formulated by an expert nutritionist are produced at our own feed mill at Ambewela. It is worth mentioning here that we are the only producer of milk that owns an ultra-modern feed mill within our farm. It is our own feed mill that produces the specially formulated feed for our cows which results in improved quality of milk and high production. Some of our dairy cows produce 55 Litres of milk per cow per day which certainly is record milk production in Sri Lanka. A resident South African expert on animal husbandry is in charge of all dairy matters in our farms, and a resident Veterinary Surgeon maintains strict control over the use of antibiotics in our farms.

Ambewela Livestock Company Limited

Ambewela Livestock Company recorded a higher revenue of Rs. 204 million compared to 192 million in the previous year. This was mainly due to the increase in cow milk production and revenue from agricultural activities. The Company cultivates potatoes as an additional source of income. The Company was able to minimize the loss after tax compared to previous year.



Ambewela Livestock Company Limited
Revenue and Profit
Rs. Mn



F/Y 2017/2018

Revenue
Rs. **204** Mn

Profit/(Loss) From Operations
Rs. **0.5** Mn

Profit/(Loss) After Tax
Rs. **(2)** Mn

MANAGEMENT DISCUSSION & ANALYSIS

Pattipola Livestock Company Limited

Pattipola Livestock Company reported a revenue of Rs. 240 million compared to Rs. 231 million last year. However due to the increased overheads the company only recorded a profit of Rs. 20 million (Rs.41 million in the previous year).

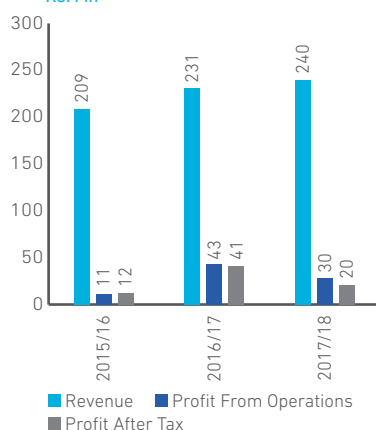
F/Y2017/2018

Revenue
Rs. **240** Mn

Profit From Operations
Rs. **30** Mn

Profit After Tax
Rs. **20** Mn

Pattipola Livestock Company Limited
Revenue and Profit
Rs. Mn



Pattipola Livestock Company Ltd, popularly known as New Zealand Farm, has now become a tourist attraction with over 10,000 people per day visiting the farm during the holiday season. Our scientifically maintained dairy farms are of great educational value, mostly for the

agricultural and veterinary students of our universities. Automated milking parlours, a stud bull weighing over 1300Kg, rabbits imported from Paris and different breeds of goats are the main attractions at the New Zealand Farm. Ambewela Gouda Cheese produced in the farm has become a hot favourite among locals and foreign visitors.

The Ambewela brand includes Ambewela Fresh Milk, Ambewela Flavoured Milk 1 Litre, Ambewela Yoghurt, Ambewela Cheese, Ambewela Butter, Ambewela Drinking Yoghurt, Ambewela Kiddos and "Daily" milk, produced from milk from our own dairy farms. Ambewela cottage

cheese produced from our own milk has become a favorite not only among locals but also among foreigners. Since these products are not second to any imported variety, they have become household names in a very short time. The production of milk in our farms is insufficient to meet the increasing demand for these products. Hence, we are addressing the urgent need to increase the production of milk of our dairy farms.

Indo Lanka Exports (Private) Limited

Indo Lanka Exports (Private) Limited was established in year 2009. The Company is currently not in operation.

Manufactured Capital

The proficient usage of manufactured capital enables the Group to be flexible, inventive and increase the speed to market of our products. The manufactured capital and technology can be used to reduce resource usage and heighten both efficiency and sustainability.

	Gross Carrying Value As at 31st March 2018 (Rs. 000)	Net Carrying Value As at 31st March 2018 (Rs. 000)
Leasehold Buildings	833,448	435,149
Plant and Machinery	2,110,023	938,144
Equipment, Furniture and Fittings	275,270	61,151
Other Assets	320,474	36,422
	3,539,215	1,470,866
Capital Work in Progress		2,413



Refer Note 12.1 to the Financial Statements on Property Plant and Equipment for further details.

The details of buildings on leasehold are as follows.

Location	Extent (Hectares)	Building (Square feet)	No of Buildings	Cost of the Building Rs '000
Welisara	3.275	140,800	3	434,416
Ambewela	458.47		133	399,032

The completion of the new investment to increase the plant production capacity on Lanka Dairies (Pvt) Ltd amounted to Rs. 284 million.

Our New Project

A new Dairy Company is proposed to be established under BOI approval.

This new farm will include ultra- modern sophisticated automated milking parlors and four cowsheds designed to provide maximum cow comfort.

The estimated Cost to establish the Company amounts to Rs. Two billion.

Intellectual Capital

Intellectual capital refers to the collective knowledge of the Group, and is a key element in its future earning potential. With a tight link and contingency existing between intellectual capital and a company's investment in R&D, innovation, human resources, and external relationships, this capital can determine an organisation's competitive advantage and in turn create shareholder value through the strategic combination of material, funding and human resources. Therefore at LMF, we continue to invest in strengthening our intellectual capital, in order to generate sustainable value and drive growth across all our business units.

The LMF Group's intellectual capital can be classified into three categories, as follows:

- Our Brands
- Technology and Innovation
- Knowledge and Expertise

Our Brands



Our brands serve as one of the Group's most valuable resources. With a portfolio of products that are recognised and acclaimed islandwide among the country's most trusted brands, this segment of our intellectual capital offers the entity a sustainable, competitive advantage. Thus, the LMF Group leverages on this strategic advantage in order to expand into new avenues of growth, and unlock our true potential.

These reputed brands simultaneously provide enormous support towards LMF's performance, supported by the Group's efforts in advertising, sales promotions, direct marketing, personal selling and public relations. With a diverse, varied range at our disposal, LMF's brands serve a range of customers across different age

groups and income levels, but ultimately represent a single pledge: the promise of trust between us and our valued consumer.

We provide our products under the afore-mentioned brands, which cater to varying customer needs. Each range is differentiated by the functionality of the various products, continuing to provide our consumers with quality, safety and convenience in the dairy category. While Lakspray is the Group's sole powdered milk brand, the range of brands that compose the Daily, Daily Activ and Ambewela ranges classify under our flavoured milk segment. In addition, Ambewela also represents our fresh milk range, and includes both full cream and non-fat versions of UHT-treated ready-to-drink Tetra packs which come in 01 litre and 200 ml sizes. Ambewela set yoghurt is also a key product in the portfolio, and the entire range has been extremely popular since its introduction.

My Juicee is the Group's ready-to-drink fruit drink, available in Mixed Fruit, Mango, Orange and Apple varieties.

Technology and Innovation

LMF remains an entity that is progressive and ready to evolve and adapt according to changing consumer preferences. Therefore, each plant of the Group possesses a dedicated R & D unit composed of state-of-the-art, modern laboratory facilities which are held to the highest quality, hygiene and safety standards, and driven by talented and experienced personnel.

Furthermore, the manufacturing plants at Welisara and Ambewela are equipped with sophisticated modern machinery with the latest manufacturing technology in terms of UHT packaging.

MANAGEMENT DISCUSSION & ANALYSIS

Knowledge and Expertise

As a pioneer in the local dairy industry, our industry-specific experience and knowledge spans decades. The LMF Group's longstanding success is attributable to this expertise, in addition to the skills and capabilities of the staff, who ensure that the Group remains a powerful forerunner in the dairy industry today.

Maintaining and ensuring the well-being of our livestock is an integral part of ensuring the quality of our products. Thus, in our dairy farms we have an expert nutritionist whose sole purpose is to formulate the most nutritious feed supplements for our cows, supported by a dedicated veterinary team with a resident veterinary surgeon to care for them and ensure their health.



Human Capital

Employees

Employees are the driving force of the Company and we are proud of our reputation of being an employer that values diversity and offers an equitable work culture. Engaged in a people intensive business such as ours, our people drive the Company's goals and objectives. We have ensured an optimal work environment for employees that strike the proper balance between personal and professional lives. During the year, the Company focused on ensuring its employees acquired new skills and underwent training, and received effective rewards and recognition for their achievements. The Company enjoys a low attrition rate with a loyal and committed workforce. There were no material issues pertaining to employees and industry relations of the entity.

Recruitment

- The Group gives opportunities for different professionals and skilled labour in diversified fields. We recruit from the local vicinity providing youth employment to farm and factory areas.

- Recruitment focuses on young labourers who are provided training and absorbed to the permanent cadre as skilled labourers.
- Recruiting youth, giving them targets while training and being employed.
- Providing them with market statistics and practical experience in the market, laboratories and factories.

Employee Benefits

- We adhere to all labour regulations, ensuring a good, committed work force in the entity.
- We ensure standards of cleanliness is maintained by employees in the work environment.
- We have in place an employee guideline to maintain equal and approachable health and hygiene standards for employees.
- For the benefit of female employees, we adhere to all the labour related laws, while ensuring that the welfare of female employees who work in factories and farms are properly looked after.

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WE ARE PROUD OF OUR REPUTATION OF BEING AN EMPLOYER THAT VALUES DIVERSITY AND OFFERS AN EQUITABLE WORK CULTURE.

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- We focus on employee welfare and currently cover a full package of insurance and accident cover in line with labour regulations.
- We ensure that employees are provided with recreation and mental and physical health stability. We have provided indoor recreation and sports facilities for employees. In addition, we provide monetary support on outdoor recreation for employees.

Diversity	2017/2018		2016/2017	
	Male	Female	Male	Female
Executives	63	6	64	4
Non-Executives	404	30	405	32
Casual/Check Roll	139	92	132	93
	606	128	601	129
	734		730	

As of 31st March 2018, the LMF Group provided employment to 734 personnel compared to 730 in the preceding year. Factory and farm workers represent majority of the total cadre.

Gender ratio is approximately 4:1 (male: female) owing to the high labour intensive work required at the farm and the factory floor.

Training & Development

A culture of learning and development has been nurtured over the years and we encourage employees to take full advantage of training opportunities to improve their competence and achieve career progression. 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.

Occupational Health & Safety

Worker health and safety is uppermost in our minds. The Company strives for incident-free operations and to attain this, there is strong emphasis on taking necessary precautions. Our staff is actively involved in ensuring the absence of injuries and environmental hazards that could affect 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.

Employee Well-being

Welfare and protection is a valuable tool for the Company to bond with employees. The local communities surrounding our factories have benefitted immensely from the Company as an important employment creator. 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 bouquet

of staff benefits, which ensure an ideal work-life balance for its workforce.

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

Natural Capital

Environmental sustainability is the practice of examining how natural systems function, remain diverse and produce everything it needs for the ecology to remain in balance. Moreover, consumers are now making informed choices about selecting dairy products from companies that are known for sustainable dairy farming. This realisation has inspired us to adopt sustainable dairy farming techniques that protect the environment and minimize



MANAGEMENT DISCUSSION & ANALYSIS

any harmful impact. The Company adopts a variety of international dairy farming practices that give priority to the preservation and long-term sustenance of nature.

We have put in place an effective waste water treatment plant that ensures all water in the production process is treated before being released into the environment. 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.



Waste water Treatment



Recyclable Packaging



Lower Carbon Footprint

We use most efficient technologies and techniques to treat the waste generated, prior to release into the environment. We are committed to treating the waste from manufacturing operations in a responsible manner and adhere to strict quality requirements for returning it to the environment. A Self-burning incinerator is used for solid waste and modern liquid waste water treatment plant for liquid waste. It is ensured that we have full compliance of applicable regulatory and statutory requirements laid down by the Central Environmental Authority. 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. The water effluent treatment plant at Lanka Dairies (Pvt) Ltd, recycles water for safe reuse of water in on the plant premises, thereby protecting the environment. The management guides the operations and employees to save and manage energy efficiently. The amount of paperwork that is printed is reduced.

Lanka Dairies is the pioneer UHT Manufacturing Company in Sri Lanka using Tetra Pak Technology. The Company closely works with world's leading food processing and packaging solutions company Tetra Pak to provide safe, hygienic and healthy food. Tetra Pak cartons are lightweight, easy to transport and fully recyclable since the pack is primarily paper based. The aseptic technology allows the product inside to stay fresh, without the need of any preservatives. The pack does not need to be refrigerated until opened. On average, more than three-quarters of a Tetra Pak carton's weight is made up of paperboard – which comes from wood. All the wood fiber used in paperboard comes from forests independently certified as being managed in accordance with the principles of sustainable forest management.

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.

Social and Relationship Capital

Our community engagement processes have evolved throughout the years and we operate as a Company that delivers valuable services to every level of the economic and social pyramid. Operating closely with surrounding communities in the vicinity of our factories, the Company strives to provide them with a better standard of living by contributing to social, health and educational causes.



Community at large

A sustainable community can persist over generations, enjoying a healthy environment, prosperous economy and vibrant civic life. It does not undermine its social or physical systems of support. Rather, it develops in harmony with the ecological patterns it thrives in. Since the Group operates within local communities and employs people from those communities, it engages closely with members of the local community. The Group supports religious, cultural and social activities of local communities to build long-term relationships. We take a long-term approach to listening and responding to the needs of our stakeholders, and contributing to the development of communities through targeted investments.

Schools, Universities and other Institutions

Since inception, LMF has opened its doors to educational tours for schoolchildren, reflecting the Company's sufficient commitment to transparency in its operations. Every year, we educate thousands of children on nutrition and wellbeing; this is especially significant given the government's drive to encourage the consumption of milk and to make the country self-sufficient in dairy needs. These children, belonging to schools and other higher education institutions, are taken through a structured programme, which includes presentations and demonstrations conducted by trained personnel and a guided tour through the LMF plant in Welisara. The plants are constructed in such a manner that the production processes may be observed with no

disturbance to workflow. The students are offered to a chilled cup of milk as well as a few other product samples during their visit.

Suppliers

Suppliers are vital partners in our journey of providing responsible products and as a result, we have a stringent supplier screening process that ensures the highest quality raw material is procured at competitive prices. We ensure that our suppliers are practicing socially and environmentally responsible methods. The Company conducts periodical site visits and ongoing communication with the suppliers to ensure the stability and continuity of business. Sustainable supply chain management helps us to remain committed to our mission while being ethical.

Consumers

We focus on delivering the finest quality products to our consumers while meeting the highest quality standards and maximum environmental and climate compatibility. Through the utilization 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 established, implemented and maintain a quality management system complying with the requirements of ISO 9001 since 2001 and obtained ISO 22000-2005, Food Safety Management System in February 2018.

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

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.

CSR Activities

On an ongoing basis, the Group carries out its CSR practices.

- **Facilitating Pilgrims:** The Company embraces cultural and religious diversity and engages with the local community in various events that bring people together on a common platform. We continued our practice of distributing free milk for devotees of all faiths during religious events and occasions at various places of worship during the year.
- **Nourishing Young Lives:** The Company sustained its practice of providing nutritious milk to children from underprivileged schools in order to promote their health and well-being.
- **Promoting School Trips:** The Company welcomes school trips to the factory to familiarize children with the milk production process while emphasizing the importance of consuming milk and milk products. This is an ongoing feature through the year and free milk and milk products are supplied to the children when they tour the factory premises.
- **Supporting the Underprivileged:** The Company provided free refreshments and nourishment to residents of welfare homes for the aged and underprivileged, donating generous rations of milk powder. Free entrance facilities for farm visits provided to underprivileged children.
- **Free entrance provided to underprivileged children for farm visits to the New Zealand Farm.**



In practice for decades, generations of schoolchildren have benefitted through our practice of distributing milk and milk products.

CORPORATE GOVERNANCE

The corporate governance framework of Lanka Milk Foods (CWE) PLC focuses on the core principles of accountability, participation and transparency, which are essential for the creation, enhancement and maintenance of a sustainable business over time and in creating value to the stakeholders.

The report below demonstrates how the Company has adopted and complied with, all the mandatory provisions of the Companies Act, Listing Rules of the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka Act (SEC) and all other legislation and rules relevant to the businesses of the Group.

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
- Building and improving stakeholder relationships
- Approving major investments, making business decisions and allocating resources in proficient and ethical way
- 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 50 to 52.

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	Executive Chairman
Mr. C. R. Jansz	Executive Director
Ms. D. S. C. Jayawardena	Executive Director
Mr. D. S. K. Amarasekera	Independent Non-Executive Director
Dr. A. Shakthevale	Independent Non-Executive Director
Mr. D. Hasitha Stassen Jayawardena	Non- Independent Non-Executive Director

Company Secretary

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

Non-Executive Directors

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

Independence of Directors

The Board as determined that two Non-Executive Directors – (Mr. D. S. K. Amarasekera and Dr. A. Shakthevale) are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and the said Directors have submitted signed declarations in this regard. Detailed resumes of each Director is given in the Board of Directors section of this Annual Report from pages 20 to 23.

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 Remuneration 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
- Independent Non-Executive Director (Chairman)

Dr. A. Shakthevale
- Independent Non-Executive Director

The report of the Remuneration Committee is given on page 48.

Audit Committee

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

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

Dr. A. Shakthevale - Independent Non-Executive Director

The detailed report of the Audit Committee is on page 46.

Related Party Transaction Review Committee

The Committee comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director as follows.

- Mr. D. S. K. Amarasekera
 - Independent Non-Executive Director (Chairman)
- Dr. A. Shakthevale
 - Independent Non-Executive Director
- Mr. D. Hasitha Stassen Jayawardena
 - Non-Independent Non-Executive Director

The detailed report of the Related Party Transaction Review Committee is on page 49.

Disclosures

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, Inland Revenue Act, Article of Association and Companies Act and in conformity with the CSE Listing Rules.

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 reports to the Audit Committee that submits its reports on a regular basis to the Chairman.

Future Company Assets

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

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

Compliance Report

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

The Company's compliance with the CSE Listing Rules is set out in the table below.

Compliance details of Continuing Listing Requirements Section 7.10 on Corporate Governance issued by the Colombo Stock Exchange (CSE)

Rule No.	CSE Listing Rule	Compliance Status	Details of Compliance
7.10	Compliance		
a/b/c.	Compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1	Non-Executive Directors (NED)		
a/b/c.	At least two members or one third of the Board, whichever is higher should be Non-Executive Directors	Yes	Three out of six Directors are Non-Executive Directors at the conclusion of last AGM.
7.10.2	Independent Directors		
a.	Two or one third of Non-Executive Directors, whichever is higher shall be independent	Yes	Two out of three Non-Executive Directors are independent.
b.	Each Non-Executive Director to submit a signed and dated declaration of his/her Independence or Non independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the two Independent Non-Executive Directors have submitted signed declarations of their independence.

CORPORATE GOVERNANCE

Rule No.	CSE Listing Rule	Compliance Status	Details of Compliance
7.10.3	Disclosure Relating to Directors		
a/b.	Board shall annually determine the independence or otherwise of Non-Executive Directors	Yes	The Board has made an annual determination as to the independence or non-independence of each Non-Executive Director based on a declaration made by the Non-Executive Directors and as per criterias set out by CSE Listing Rules.
c.	A brief resume of each Director should be included in the Annual Report including the area of expertise.	Yes	Refer Board of Directors on pages 20 to 23 of the Annual Report.
d.	Provide a resume of each new Director appointed to the Board along with the details	N/a	No new appointments were made to the Board during the financial year.
7.10.4	Criteria for Defining Independence		
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	All two Independent Non-Executive Directors have met the criteria on defining independence as per the Listing Rules.
7.10.5	Remuneration Committee		
a. 1	The Remuneration Committee shall comprise a minimum of two Independent NEDs or a majority of Independent NEDs, whichever is higher.	Yes	The Remuneration Committee comprises of two Independent, Non-Executive Directors.
a. 2	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors	Yes	An Independent Non-Executive Director is the Chairman of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors.	Yes	The Remuneration Committee recommends the remuneration of the Executive Directors. The Board makes the final determination after considering such recommendations.
c. 1	Names of Remuneration Committee members	Yes	Composition of the Remuneration Committee is given on page 48.
c. 2	Statement of Remuneration Policy	Yes	Group's Remuneration Policy is given on the page 48.
c. 3	Aggregate Remuneration paid to Executive and Non-Executive Directors	Yes	Aggregate remuneration paid to Executive and Non-Executive Directors during the year under review appears on Note 08 to the Financial Statements.
7.10.6	Audit Committee		
a. 1	The Audit Committee shall comprise a minimum of two Independent NEDs or a majority of Independent NEDs whichever is higher.	Yes	The Audit Committee comprises of two Independent Non-Executive Directors.
a. 2	A Non-Executive Director shall be the Chairman of the committee	Yes	Chairman of the Audit Committee is a Non-Executive Director.
a. 3	Chief Executive Officer and Chief Financial Officer should attend Audit Committee meetings.	Yes	Finance Manager attended the Audit Committee meetings by invitation.
a. 4	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Yes	The Chairman of the Audit Committee is a member of a professional accounting body.
b.	Functions of the Audit Committee	Yes	The Audit Committee carries out the functions prescribed in this section of the Audit Committee. Role of the Audit Committee is given on page 46 to 47.

Rule No.	CSE Listing Rule	Compliance Status	Details of Compliance
7.10.6	Audit Committee		
b. 1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The Audit Committee assists the Board in fulfilling its responsibility through overseeing the integrity of the financial statements of the Group.
b. 2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Yes	The Audit Committee has the overall responsibility to oversee the preparation of financial statements in accordance with the laws and regulations of Sri Lanka and also to recommend to the Board on the adoption of best accounting policies.
b. 3	Ensuring the internal controls and risk management controls are adequate to meet the requirements of the SLFRS/LKAS	Yes	The Audit Committee assesses the effectiveness of the internal controls and risk management.
b. 4	Assessment of the independence and performance of the entity's external auditors	Yes	The Committee assesses the external auditors' performance and independence.
b. 5	Make recommendations to the Board pertaining to external auditors	Yes	The Committee is responsible for appointment, reappointment, removal of external auditors and also the approval of remuneration and terms of engagement.
c. 1	Names of the Audit Committee members shall be disclosed	Yes	Refer Audit Committee Report on page 46 to 47 of the Annual Report.
c. 2	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer Audit Committee Report on page 46 to 47 of the Annual Report.
c. 3	The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	Yes	Refer Audit Committee Report on page 46 to 47 of the Annual Report.

Rule No.	CSE Listing Rule	Compliance Status	Details of Compliance
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Compliance details of Continuing Listing Requirements Section 9 on Related Party Transactions issued by the Colombo Stock Exchange (CSE)

9.2 Related Party Transactions Review Committee			
9.2.2	Composition	Yes	Related Party Transaction Review Committee consists of three Directors, out of which two are Independent, Non-Executive Directors, Chairman of the Committee is an Independent, Non-Executive Director. Refer page 49.
9.3 Related Party Transactions Review Committee			
9.3.2	Disclosures in the Annual Report		
a.	Non- Recurrent Related Party Transactions	Yes	Company did not have any non-recurrent related party transactions, which require immediate disclosure to the Colombo Stock Exchange.
b.	Recurrent Related Party Transactions	Yes	Lanka Milk Foods (CWE) PLC carries out transactions with its subsidiaries and expected to extend over a period (which are carried out on a continuous basis and are in the ordinary course of the business of the Company. However, the aggregate values of these transactions were below 10% of gross revenue of the 2017/2018 Financial Statements.
c.	Report of the Related Party Transactions Review Committee	Yes	Refer Report by the Related Party Transactions Review Committee on page 49.
d.	A declaration by the Board of Directors	Yes	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on page 49.

ENTERPRISE RISK MANAGEMENT

Risk is an integral part of running a business and all companies face risks. What classifies a business from the rest is their ability to manage these risks. Hence, risk management should be considered as a vital element on which a company builds their corporate strategy. In the modern market context, risk can be defined as the probability or threat of a liability, loss or other negative occurrence caused by external or internal vulnerabilities, which would affect the desired objectives. The increasing risks and uncertainties have made Lanka Milk Foods (CWE) PLC (LMF) to enhance its risk management framework, in making better decisions and effective execution of key business operations in order to maximize shareholder value.

The Group (LMF) employs numerous policies, procedures and practices, which work in conjunction to arrive at coordinated and economical solutions in order to mitigate the probability and impact of identified vulnerabilities by embedding risk management to our daily management of the business. The key risks faced and identified as potential accompanied by the methods of mitigation and management of such risks are presented in this section.

Risk Governance

The Board considers risk management as crucial in achieving the Group objectives, and considers it the responsibility of the Board to monitor and manage risks in an acceptable manner.

The Board, with the help of the senior management, takes decisions that would increase the shareholder value of the Group in terms of investing in capital assets, which would enhance its future earning capacity.

Legal Function

The Group's centralised legal department ensures that the Group complies with laws and regulations. All legal agreements are thoroughly analysed by the Company Secretary and compliance with the Companies Act is ensured. Possible adverse impacts resulting from laws and regulations are assessed and necessary action plans are formulated to mitigate the impact of such risks on the business. The opinions of the Group's tax consultants pertaining to all tax matters are considered and necessary steps are taken to ensure full compliance with statutory requirements.

Financial Reporting Function

Documentation and reporting plays a key role in managing risk. The Financial Reporting division makes sure that all financial reporting aspects are addressed while coordinating with all relevant authorities and institutions. The Board reviews reports of all financial related information and publicizes relevant data.

Promoting a Risk Management culture to help the enterprise maintain the provision of quality products while ensuring appropriate relationships with our customers and other stakeholders

Internal Controls and Internal Audit Function

The Internal Audit function is mainly engaged in matters such as monitoring internal controls, examining financial information, and in reviewing the efficiency and effectiveness of the operations in order to achieve the management's objective of ensuring orderly and efficient conduct of business, detecting and preventing fraud and error, thus safeguarding Group assets.

RISK SCENARIO	HOW IT IS MANAGED
1. FINANCIAL RISKS	
i. 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 Group financial situation.
ii. 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. ◊ Being thoroughly familiar to the frequent changes seen in foreign currency rates with our bankers. ◊ Monitoring local and international events and news related to economics, which can influence exchange rates.
iii. 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"> ◊ Regular reviews of the liquidity position and ensuring our 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 provide us with more strength in this area.
iv. Credit Default Risk	
This is the risk of losses arising from a debtor being unable to meet his obligations in full or the debtor is overdue for 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 carried out on overdue amounts and legal procedures for long outstanding amounts.
v. Investment Risk	
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.	<ul style="list-style-type: none"> ◊ The Group looks forward to make new investments in dairy farming. This is further discussed in the Management Discussion section of this report. With the rapid increase in demand and the government policy to improve the dairy sector, the management is confident that the investments will yield positive results.

ENTERPRISE RISK MANAGEMENT

RISK SCENARIO	HOW IT IS MANAGED
2. BUSINESS RELATED RISKS	
i. Scarcity of Raw Material	
<p>Due to seasonal fluctuations in the supply of raw material, it becomes a challenge to meet the market demand.</p> <p>E.g. Raw Cow 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 market trends.
ii. Quality Risk	
<p>This is a major risk component to a business that operates in the 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 and production. ➤ The product and process improvements are implemented and revised periodically to meet the quality goals. ➤ Revision of quality control 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 22000:2005 quality certification , Food Safety Management System,
iii. Natural Events	
<p>Adverse weather conditions may affect 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 on the Group's strategic and operational goals & objectives.
iv. 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.
v. Compliance, Regulatory and Legal Risks	
<p>This refers to the possible legal actions against the Group companies, compliance and regulatory requirements related risks.</p>	<ul style="list-style-type: none"> ➤ Preventive measures are taken to mitigate such risks by complying with all the relevant regulations and regulatory matters. ➤ The management frequently reviews regulatory changes & asses impacts of new requirements over the business. ➤ In case of breaching agreements, the Company involves internal and external legal experts to mitigate such risks. ➤ A comprehensive compliance checklist is reviewed periodically.

RISK SCENARIO	HOW IT IS MANAGED
3. TECHNOLOGY RELATED RISKS	
<p>This includes hardware and software failure, human error, spam, viruses, ransomware 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"> ▶ Taking cloud based system backups to mitigate software failures and regularly updating the software to the latest versions. ▶ Root causes are found and problems fixed in respect of 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. ▶ Information security is guaranteed by graduated levels of access rights granted to selected employees depending on their operational needs & level of responsibility.
4. HUMAN RISK	
<p>This refers to the lack of ability in attracting, retaining, developing and motivating the best employees throughout the Group especially in the middle to senior management level. Losing key personnel and skilled workers for better job prospects abroad.</p> <p>This may affect the group's ability to deliver its operational and strategic objectives. This may even effect on the product quality, output, market share and the company's reputation.</p>	<ul style="list-style-type: none"> ▶ Our remuneration packages are benchmarked to ensure that we remain competitive. ▶ Including incentive arrangements where appropriate. ▶ Professional growth avenues. ▶ Responding to grievances and staff complaints. ▶ Providing a wide range of benefits to employees including surgical & hospitalisation cover for all employees, while providing a healthy and pleasant working environment. ▶ Measures taken to retain and minimise casual / temporary labor turnover.
5. 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

The powers and responsibilities of the Audit Committee are administered by the Audit Committee Charter, which is approved and accepted by the Board. The terms of reference comply with the requirements of the Corporate Governance Rules as per Section 7.10.6 of the Listing Rules of the Colombo Stock Exchange (CSE). The Audit Committee's functions, scope and affairs comply with the requirements of the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The Committee assist the Board in discharging its responsibilities and exercises oversight over financial reporting, internal audit, internal controls and external audit.

Composition

The Audit Committee consists of two Independent Non-Executive Directors in conformity with the Listing Rules of The Colombo Stock Exchange.

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

Mr. Amarasekera is a member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka. A brief profile of each member is presented on pages 20 to 23 of this report under the section of Board of Directors.

Functions

The Committee is empowered by the Board to:

- Assists the Board in overseeing the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS
- Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations

- To ensure that adequate internal controls are in application to meet the requirements of the SLFRS/LKAS and evaluate the effectiveness of the risk management processes to mitigate risks.
- Assessing the independence and monitoring the performance and functions of internal and external auditors.
- Make a determination of the independence of the external auditors
- Makes recommendations to the Board pertaining to external auditors
- Ensure the Company's compliance with legal and regulatory requirements including the performance of the Company's compliance function

Meetings

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

Name	29th June 2017	28th September 2017	13th November 2017	15th February 2018
Mr. D. S. K. Amarasekera	Yes	Yes	Yes	Yes
Dr. A Shakthevale	Yes	Yes	Yes	Yes

Finance Manager, Mr. R. N. Attygalle and Deputy Finance Manager, Mr. I. A. De. Alwis also attended the meetings by invitation and briefed the committee on specific issues.

Summary of Activities during the Financial Year

- During the year under review, the Committee reviewed and discussed in detail with the management, the unaudited quarterly financial statements and the audited financial statements of the Company and the Group, prior to recommendation for approval of the Board.
- The Committee reviewed the financial reporting system adopted by the Company in the preparation of its quarterly and Annual Financial Statements together with the Management and the External Auditors. This helps to ensure reliability of the processes, the consistency of the Accounting Policies adopted, and compliance with the Sri Lanka Accounting Standards and the provision of the Companies Act No. 7 of 2007.
- The Internal Audit Division carries out the Internal Audit function of the Company and the Audit Committee reviews the effectiveness of the internal audit plan to ensure that it is 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. The Internal Audit Reports issued by the Internal Audit Division was evaluated with the management and the key recommendations were reviewed during the year.

- The Audit Committee has reviewed the Risk Management process and procedures adopted to manage and mitigate the effects of such risks. The major risks that would impact the operations have been identified and necessary actions have been taken to mitigate the impact to a minimum degree.
- The Annual Audited Financial Statements were reviewed and discussed with Messrs KPMG, external auditors in attendance. The Audit Committee has committed adequate time to ensure that the financial statements have been prepared in accordance with the Sri Lanka Accounting Standards and that the Company and the Group have complied with all regulatory compliances.
- The Audit Committee has reviewed the other services performed by the external auditors to ensure that their independence as auditors has not been compromised.
- The Audit Committee having evaluated the performance of Messrs KPMG, Chartered Accountants, and recommended for re-appointment as Auditors of the Company for the financial year commencing 01st April 2018, at the next Annual General Meeting subject to approval of the shareholding at AGM.

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. The Committee is also satisfied that the Group's Internal and External Auditors have been effective and independent throughout the year under review.



D. S. K. Amarasekera

Chairman, Audit Committee

14th August 2018

REPORT OF THE REMUNERATION COMMITTEE

Terms of reference

The powers and responsibilities of the Remuneration Committee are administered by the Remuneration Committee Charter, which is approved and accepted by the Board. The Committee operates under the principles of accountability, transparency, and ensuring that remuneration arrangements align reward with performance. The Remuneration Committee recommends the remuneration payable to the executive directors and key management personnel of the Company.

The Committee is responsible for determining the remuneration policy and incentive framework relating to key management personnel and Executive Directors. The Committee evaluates the Strategic Human Resources policies in operation.

Composition

The Remuneration Committee comprises of two Independent Non-Executive Directors in compliance with the Section 7.10.5 of Listing Rules of the Colombo Stock Exchange.

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

A Brief profile of each Director is presented on page 20 to 23 of this Report.

The 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 them to perform at the highest possible level. The Committee is responsible for monitoring the remuneration policy of the Company for its key management personnel, executives and other senior staff.

Meetings

The Committee met four times during the year. Members of the Committee and the Finance Manager attended these meetings. The minutes of the meetings were circulated to all members of the Board.

Name	29th June 2017	28th September 2017	13th November 2017	15th February 2018
Mr. D. S. K. Amarasekera	Yes	Yes	Yes	Yes
Dr. A Shakthevale	Yes	Yes	Yes	Yes

Summary of Activities during the Year

During the year, the committee reviewed the current performance evaluation processes and incentives awarded and made recommendations to the Board. The Committee recommended and ensured that appropriate service contracts are available for Senior Management.



D. S. K. Amarasekera

Chairman – Remuneration Committee

14th August 2018

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

Terms of Reference

The Board appointed a Related Party Transaction (RPT) Review Committee on 01st January 2016. The Committee as set out in Section 9 of the Colombo Stock Exchange (CSE) Listing Rules is responsible to review all Related Party Transactions either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to completion of the transaction, except for transactions set out in Rule 9.5.

The purpose of the Committee is to ensure that all related party transactions of the Group are in line with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission (SEC) as well as the section 09 of the Listing Rules issued by the Colombo Stock Exchange on Related Party Transactions.

Composition

The Related Party Transactions Review Committee consists of three Non-Executive Directors majority of who are Independent.

- Mr. D. S. K. Amarasekera - Independent Non-Executive Director (Chairman)
- Dr. A Shakthevale - Independent Non-Executive Director
- Mr. D. Hasitha S. Jayawardena - Non-independent Non-Executive Director

Mr. Hasitha Jayawardena who is a Non-Independent Non-Executive Director was appointed to the committee on 12th June 2017. A brief profile of each member is given on pages 20 to 23.

Procedures followed by the committee

- The senior management updates the RPT Committee on all related party transactions during its quarterly meetings.

- The proposed non-recurrent transactions are also communicated to the Committee prior to the completion of such transactions.
- In the case of recurrent related party transactions, the Committee review and assess ongoing relationships with the Related Parties. This is to determine whether such transactions comply with the Committee's guidelines and remains appropriate.

Meetings

The Committee met on each quarter and the attendances of the meetings are given below.

Name	29th June 2017	28th September 2017	13th November 2017	15th February 2018
Mr. D. S. K. Amarasekera	Yes	Yes	Yes	Yes
Dr. A Shakthevale	Yes	Yes	Yes	Yes
Mr. D. Hasitha S. Jayawardena	Yes	Yes	Yes	Yes

In addition, the Finance Manager, Mr. R. N. Attygalle attended these meetings by invitation.

Summary of Activities during the Year

During the year under review, the Committee reviewed all the Related Party Transactions and the nature of such transactions and communicated the observations and recommendations to the Board of Directors.

The Committee further strengthened the internal procedures and policies with the requirements thereof and relevant disclosures were made in the annual report. Details of the related party transactions entered into by the Company during the year are disclosed in Note 33 to the Financial Statements from page 97 to 99.

Declaration

A declaration by the Board of Directors on compliance with the rule pertaining to the Related Party Transactions appears on the Report of Board of Directors on page 50 to 52 of this report.



D S K Amarasekera

Chairman - Related Party Transactions Review Committee
14th August 2018

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Lanka Milk Foods (CWE) PLC has pleasure in presenting the 36th Annual Report to you. This report includes the Audited Financial Statements of the Company and the Group, The Chairman's Review, The Director's Review, Management Discussion and Analysis, The Corporate Governance Report, Sustainability Incorporation, Risk Management and all other pertinent information to provide a true and fair view of the financial year ended 31st March 2018.

The requirement of the Companies Act No.07 of 2017, relevant Listing Rules of the Colombo Stock Exchange and suggested best reporting practices were also considered in the content of this report.

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

Business Activities

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

Review of Performance for the Financial Year

A review of the financial and operational performance, comments on the financial results, future strategies and future prospects are shown in the Chairman's Statement, Director's Review and Management Discussion of this report

Refer Note 13 and 29 Details of Subsidiaries for more information. A segmental analysis of the activities of the Group is given in Note 32 to the Financial Statements.

Financial Statements and Auditors' Report

The Financial Statements of the Company and the Group for the year ended 31st March 2018 were prepared in accordance with SLFRSs/LKASs, the Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. The Audited Financial Statements approved by the Board of Directors on 14th August 2018 are provided on pages 60 to 107. The Auditor's Report on the Financial Statements of the Company and the Group is set out on page 56 to 59.

Accounting Policies

The accounting policies adopted in the preparation of the financial statements are in accordance with Sri Lanka Accounting Standards and are presented on the pages 66 to 75. There have been no changes in the accounting policies adopted by the Group during the year.

Going Concern

The Board is satisfied that the Company and the subsidiaries have adequate resources to continue their operations in the foreseeable future.

Stated Capital

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

Group Financial Results

For the year ended 31st March	2017/2018 Rs. '000	2016/2017 Rs.' 000
Revenue	5,416,547	5,250,208
Profit from operations	666,338	624,533
Profit before tax	631,766	548,704
Income tax expense	(51,235)	(6,748)
Profit for the year	580,531	541,956

Dividends

In respect of the year ended 31st March 2018, the Directors have declared a dividend of Rs.2.50 per share. (2016/2017 – Rs.2.50 per share). As per LKAS 10 Events after the reporting period, the final dividend recommended has not been recognised at the date of Financial Position

Property, Plant & Equipment

Details and movements of Property, Plant and Equipment owned by the Company are given in Note 12 to the Financial Statements on page 79 to 83.

Land Holdings

Details of leasehold land owned by the company are given in Note 28 to the Financial Statements on page 94.

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2018 are given in Note 14 to the Financial Statements on page 84.

Reserves

The total Group Reserves as at 31st March 2018 amounted to Rs. 12.14 billion (2016 /2017 – Rs. 11.8 billion) The movements of reserves during the period are given under the Statement of Changes in Equity on pages 62 to 63.

Events after the Reporting Period

There have been no events subsequent to the reporting period, which would have any material effect on the Group or the Company other than those disclosed in Note 31 to the Financial Statements

Employees

The number of persons employed by the Company as at 31st March 2018 was 308 (305 as at 31st March 2017) and by the Group 734 (730 as at 31st March 2017).

Share Information

An Ordinary share of the Company (LMF. N0000) was quoted on the Colombo Stock Exchange at Rs.158.10 Year ended 2018 (Rs. 117.00 Year ended 2017). During the year the share price fluctuated between Rs.115.00 and Rs.195.00.

Information in relation to earnings, dividends, net assets and market value per share is given in the Ten Year Summary on page 110 of this report.

Shareholdings

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 108 to 109 under Investor Information.

As at 31st March 2018, LMF had a float adjusted market capitalization of Rs.6.2 billion (Rs.4.7 billion as at 31st March 2017). There were 3,080, registered shareholders, holding ordinary voting share at the year-end. (3,216 registered shareholders as at 31st March 2017)

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.

Directorate

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

Mr. D. H. S. Jayawardena
– Executive Chairman

Mr. C. R. Jansz
– Executive Director

Ms. D. S.C. Jayawardena
– Executive Director

Mr. D. S. K Amarasekara
– Independent Non-Executive Director

Dr. A. Shakthevale
– Independent Non-Executive Director

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

Brief profiles of the Director's as at 31st March 2018, appear on pages 20 to 23 of this report.

Directors' Remuneration

The remuneration of the Directors is given in note 08 on page 77 to the consolidated financial statements.

Directors' Shareholdings

The Directors' shareholdings in the Company were as follows:

For the year ended 31st March	As at 31st March 2018	As at 31st March 2017
Mr. D H S Jayawardena	Nil	Nil
Mr. C. R. Jansz	Nil	Nil
Ms. D. S. C. Jayawardena	Nil	Nil
Mr. D. S. K Amarasekera	Nil	Nil
Dr. A. Shakthevale	Nil	Nil
Mr. D. Hasitha Stassen Jayawardena	Nil	Nil

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 33 to the Financial Statements.

The Directors confirm that transactions with Related Parties in terms of the Sri Lanka Accounting Standard LKAS 24- Related Party Disclosures have been detailed in Note 33 to the Financial Statements, as well as that the, requirements as per the Listing Rules of the Colombo Stock Exchange has been complied with.

Interests Register

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

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Donations

During the year, the Company made donations amounting to Rs. 105,000.

Auditors

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

The details of fees paid to the Auditors for the Company and its subsidiaries are set out in Note 08 to the Financial Statements. The Auditors do not have any interest in the Company other than as Auditors.

Statutory Payments

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

Risk Management

The Risk Management processes currently practiced by the Company to identify and manage potential risks are given on page 42 to 45.

Contingent Liabilities

Except as disclosed in Note 30 to the Financial Statements on page 95, there were no material contingent liabilities as at the reporting 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 on Corporate Governance and the applicable Governance Rules of the Colombo Stock Exchange. The Corporate Governance practices are presented on pages 38 to 41.

Annual General Meeting

The 36th Annual General meeting of the Company will be held at Sri Lanka Foundation Institute on Wednesday, 12th of September 2018 at 10.00 a.m. The Notice of Meeting appears on page 112 of the report.

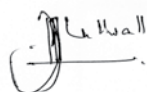
This Annual Report is signed for and on behalf of the Board of Directors by:



Mr. D. H. S. Jayawardena
Chairman



Mr. C. R. Janz
Director



Ms. H. K. Bulathwatte
Company Secretary

Lanka Milk Foods (CWE) PLC
14th August 2018

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 reporting 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 in respect of the company and its subsidiaries have been paid as at the reporting date.

On behalf of the Board of Directors



Ms. H. K. Bulathwatte

Company Secretary
14th August 2018



FINANCIAL STATEMENTS

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Comprehensive Income
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62 / Statement of Changes in Equity
64 / Statement of Cash Flows
66 / Notes to the Financial Statements

THE ESSENCE OF QUALITY



INDEPENDENT AUDITORS' REPORT



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

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

TO THE SHAREHOLDERS OF LANKA MILK FOODS (CWE) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Lanka Milk Foods (CWE) PLC ("the Company") and the Consolidated Financial Statements of the Company and its Subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31 March 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a Summary of Significant Accounting Policies set out on page 60 to 107.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the Financial Position of the Company and the Group as at 31 March 2018, and of their Financial Performance and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

Recoverability of Deferred Tax Assets	
Refer Note 23 to the Consolidated Financial Statements	
Risk Description	Our response
<p>The Group and Company have recognized deferred tax assets amounting to Rs. 296.0 Mn and Rs. 120.5 Mn respectively as at 31 March 2018.</p> <p>Group and Company had recognized significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses which management considered would probably be utilized or recovered in the future through the generation of future taxable profits by the group entities or by set-off against deferred tax liabilities.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the Group's and Company's approach for evaluating the likelihood of the recoverability of deferred tax assets. This includes challenging the key assumptions in future taxable profits forecasts for each Group entity with accumulated unutilized tax losses by comparing the most significant inputs used in the forecasts, including future revenue, margins and operating cost growth rates, with the historical performance of the entities, management's forecasts used for other purposes and our knowledge of the business gained from other audit procedures.

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

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

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

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

Recoverability of Deferred Tax Assets

Refer Note 23 to the Consolidated Financial Statements

Risk Description	Our response
<p>The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences.</p> <p>We identified the recognition of deferred tax assets as a key audit matter because of its significance to the Consolidated Financial Statements and significant management judgment and estimation required in the forecasting future taxable profits which could be subject to error or potential management bias.</p>	<ul style="list-style-type: none"> Assessing adequacy of the disclosures in the Financial Statements.

Valuation of Biological Assets

Refer Note 15 to the Consolidated Financial Statements

Risk Description	Our response
<p>The Group's biological assets comprise of Goats, Rabbits and Dairy Cattle, which are further categorized into calves, heifers, milking cows, dry cows and culled animals.</p> <p>The balance of the Group's biological assets, which are measured at fair value less cost to sell, was Rs. 528.2 Mn, as at 31 March 2018, with a Gain arising from changes in fair value less costs to sell of biological assets for the year ended 31 March 2018 recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of Rs. 136.1 Mn. Management has used internally developed fair value model which was based on market prices of livestock of similar age, weight, pregnancy, lactations and milk production (Market Comparison Technique). to calculate the fair value of the Group's biological assets as at 31 March 2018. Further Management has obtained certification for this computation from the Director General of Department of Animal Production and Health. The calculation of the fair value of biological assets involves a significant degree of judgement, particularly in respect of market prices for calves, heifers, goats and rabbits estimated culling rates, and raw milk market prices.</p> <p>We identified the valuation of biological assets as a key audit matter because the valuation is dependent on certain key assumptions, which require the exercise of significant judgement and are subject to an inherent risk of error or potential management bias.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> evaluating the external valuers competence, experience. understanding management's process for collecting the information to support the key assumptions and inputs, which included market prices for calves, heifers, bull cows, culled animals and milking cows, estimated culling rates and raw milk market prices for lactations adopted in the valuation of biological assets and assessing the information based on our knowledge of the Group and other audit procedures performed. assessing the methodologies adopted in the valuation of biological assets with reference to the requirements of the prevailing accounting standards; assessing on a sample basis, the input data used in the valuations of biological assets, including breeding costs, milk production volumes and culling rates, based on available historical data. Development of Auditor's point estimate based on discounted cash flows models and evaluate the management's point estimate Assessing the adequacy of the disclosure in financial instruments by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles.

INDEPENDENT AUDITORS' REPORT

Impairment of Investments in Subsidiaries	
Refer Note 13 to the Consolidated Financial Statements	
Risk Description	Our response
<p>The Company hold investments in Subsidiaries amounting to Rs. 1,143.5 Mn and as at 31 March 2018.</p> <p>The carrying amount of each investments in Subsidiaries have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated if inappropriate judgments and estimates were used by the Directors in calculating the recoverable amount for each cash generating unit ('CGU') as part of their impairment assessment.</p> <p>Investments which does not generate adequate returns may be an indication of impairment. Due to the investments being material it will have a significant impact on financial performance of the Company / Group.</p> <p>We have identified the impairment of investments in Subsidiaries as a key audit matter since that is based on assessment of recoverability amount, which are inherently judgmental.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"> Assessing the impairment indications of investments made in Subsidiaries under accounting standards. Reviewing of recoverable computations based on net assets attributable to Parent Company for investments with impairment indications and discussion with management of group/ component. Assessing the adequacy of disclosures made in the financial statements.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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



CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

14 August 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March	Note	Group		Company	
		2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Revenue	5	5,416,547	5,250,208	1,870,990	2,053,427
Cost of Sales		(4,477,968)	(4,460,347)	(1,739,751)	(1,898,491)
Gross Profit		938,579	789,861	131,239	154,936
Other Operating Income	6	630,333	679,184	466,777	376,899
Administrative Expenses		(418,238)	(396,512)	(180,567)	(184,999)
Distribution Expenses		(423,411)	(376,186)	(167,665)	(128,414)
Other Operating Expenses		(60,925)	(71,814)	(261)	(232)
Profit from Operations		666,338	624,533	249,523	218,190
Finance Income	7.1	28,186	17,818	33,557	17,257
Finance Expense	7.2	(62,758)	(93,647)	(4,734)	(18,528)
Net Finance Income/(Expense)	7	(34,572)	(75,829)	28,823	(1,271)
Profit before Income Tax Expense	8	631,766	548,704	278,346	216,919
Income Tax Expense	9	(51,235)	(6,748)	(1,945)	16,925
Profit for the Year		580,531	541,956	276,401	233,844
Other Comprehensive Income					
Items that are or may be reclassified to Profit or Loss					
Net Change in Fair value of Available for Sale Investments		182,485	1,161,622	182,485	1,161,622
Items that will never be reclassified to profit or loss					
Actuarial Gain/(Loss) on Retirement Benefit Obligation		(5,507)	(1,259)	(3,007)	(1,129)
Tax on Other Comprehensive Income	23	1,311	287	842	316
Other Comprehensive Income for the Year		178,289	1,160,650	180,320	1,160,809
Total Comprehensive Income		758,820	1,702,606	456,721	1,394,653
Profit Attributable to :					
Owners of the Company		580,784	542,179	276,401	233,844
Non Controlling Interest		(253)	(223)	-	-
Profit for the Year		580,531	541,956	276,401	233,844
Total Comprehensive Income Attributable to					
Owners of the Company		759,073	1,702,829	456,721	1,394,653
Non Controlling Interest		(253)	(223)	-	-
Total Comprehensive Income for the Year		758,820	1,702,606	456,721	1,394,653
Earnings per share					
Basic Earnings per Share	10.1	14.52	13.56	6.91	5.85
Diluted Earnings per Share	10.2	14.52	13.56	6.91	5.85

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 66 to 107.

STATEMENT OF FINANCIAL POSITION

As At 31st March	Note	Group		Company	
		2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Assets					
Non Current Assets					
Property, Plant and Equipment	12	1,473,279	1,564,886	143,342	162,710
Investment in Subsidiaries	13	-	-	755,001	755,262
Available for Sale Investments	14.1	9,505,154	8,989,283	9,505,154	8,989,283
Biological Assets	15.1	528,210	476,725	-	-
Deferred Tax Asset	23.1	91,437	89,152	91,437	89,152
Total Non Current Assets		11,598,080	11,120,046	10,494,934	9,996,407
Current Assets					
Inventories	16	1,108,392	823,102	498,088	262,735
Biological Assets	15.2	15,808	19,208	-	-
Financial Assets Held for Trading	14.2	270,283	244,838	270,283	244,838
Trade Receivables	17	510,989	367,598	172,375	113,453
Other Receivables	18	92,082	100,692	52,811	15,868
Amounts Due from Related Companies	19	49,670	43,948	516,814	958,492
Current Tax Assets		81,506	51,373	34,523	27,737
Cash and Cash Equivalents	20	66,669	188,117	38,010	161,432
Total Current Assets		2,195,399	1,838,876	1,582,904	1,784,555
Total Assets		13,793,479	12,958,922	12,077,838	11,780,962
Equity and Liabilities					
Equity					
Stated Capital	21	999,950	999,950	999,950	999,950
Capital Reserves		105,116	105,116	105,116	105,116
Available for sale Reserve		8,934,068	8,751,583	8,934,068	8,751,583
Revenue Reserves	22.2	2,419,948	1,943,355	1,662,306	1,488,065
Total Equity attributable to Equity Holders of the Company		12,459,082	11,800,004	11,701,440	11,344,714
Non Controlling Interests		11,344	11,597	-	-
Total Equity		12,470,426	11,811,601	11,701,440	11,344,714
Liabilities					
Non Current Liabilities					
Loans and Borrowings	25	250,547	317,359	-	-
Deferred Tax Liability	23.1	143,617	114,179	-	-
Employee Benefits	24	100,337	82,913	62,227	51,429
Total Non Current Liabilities		494,501	514,451	62,227	51,429
Current Liabilities					
Trade and Other Payables	26	310,740	341,215	70,800	182,427
Amounts Due to Related Companies	27	10,754	9,813	55,349	124,650
Current Tax Liabilities		1,117	701	-	-
Loans and Borrowings	25	66,812	66,812	-	-
Bank Overdraft	20	439,129	214,329	188,022	77,742
Total Current Liabilities		828,552	632,870	314,171	384,819
Total Liabilities		1,323,053	1,147,321	376,398	436,248
Total Equity and Liabilities		13,793,479	12,958,922	12,077,838	11,780,962

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 66 to 107.

I certify that the Financial Statements have been prepared and presented 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
14 August 2018
Colombo



C.R. Jansz
Director

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March Group	Attributable to Equity Holders of the Company							
	Stated Capital	Revaluation Reserve	Dairy Development Project Reserve	Available for Sale Reserve	Retained Earnings	Total	Non- Controlling Interest	Total Equity
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Balance as at 1st April 2016	999,950	105,116	110,000	7,589,961	1,342,146	10,147,173	11,820	10,158,993
Total Comprehensive Income								
Profit for the Year	-	-	-	-	542,179	542,179	(223)	541,956
Other Comprehensive Income								
Net Change in Fair Value of Available for Sale Investments	-	-	-	1,161,622	-	1,161,622	-	1,161,622
Actuarial Loss on Employee Benefits	-	-	-	-	(1,259)	(1,259)	-	(1,259)
Tax on Other Comprehensive Income	-	-	-	-	287	287	-	287
Total Other Comprehensive Income for the Year	-	-	-	1,161,622	(972)	1,160,650	-	1,160,650
Total Comprehensive Income for the Year	-	-	-	1,161,622	541,207	1,702,829	(223)	1,702,606
Transactions with Owners directly recorded in the Equity								
Contributions by and Distributions to Owners								
Dividend Paid	-	-	-	-	(49,998)	(49,998)	-	(49,998)
Total Contributions by and Distributions to Owners	-	-	-	-	(49,998)	(49,998)	-	(49,998)
Balance as at 31st March 2017	999,950	105,116	110,000	8,751,583	1,833,355	11,800,004	11,597	11,811,601
Balance as at 1st April 2017	999,950	105,116	110,000	8,751,583	1,833,355	11,800,004	11,597	11,811,601
Total Comprehensive Income								
Profit for the Year	-	-	-	-	580,784	580,784	(253)	580,531
Other Comprehensive Income								
Net Change in Fair Value of Available for Sale Investments	-	-	-	182,485	-	182,485	-	182,485
Actuarial Loss on Employee Benefits	-	-	-	-	(5,507)	(5,507)	-	(5,507)
Tax on Other Comprehensive Income	-	-	-	-	1,311	1,311	-	1,311
Total Other Comprehensive Income for the Year	-	-	-	182,485	(4,196)	178,289	-	178,289
Total Comprehensive Income for the Year	-	-	-	182,485	576,588	759,073	(253)	758,820
Transactions with Owners directly recorded in the Equity								
Contributions by and Distributions to Owners								
Dividend Paid	-	-	-	-	(99,995)	(99,995)	-	(99,995)
Total Contributions by and Distributions to Owners	-	-	-	-	(99,995)	(99,995)	-	(99,995)
Balance as at 31st March 2018	999,950	105,116	110,000	8,934,068	2,309,948	12,459,082	11,344	12,470,426

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 66 to 107.

For the Year Ended 31 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 2016	999,950	105,116	110,000	7,589,961	1,195,032	10,000,059
Total Comprehensive Income						
Profit for the Year	-	-	-	-	233,844	233,844
Other Comprehensive Income						
Net Change in Fair Value of Available for Sale Investments	-	-	-	1,161,622	-	1,161,622
Actuarial Loss on Employee Benefits	-	-	-	-	(1,129)	(1,129)
Tax on Other Comprehensive Income	-	-	-	-	316	316
Total Other Comprehensive Income for the Year	-	-	-	1,161,622	(813)	1,160,809
Total Comprehensive Income for the Year	-	-	-	1,161,622	233,031	1,394,653
Transactions with Owners directly recorded in the Equity						
Contributions by and Distributions to Owners						
Dividend Paid	-	-	-	-	(49,998)	(49,998)
Total Contributions by and Distributions to Owners	-	-	-	-	(49,998)	(49,998)
Balance as at 31st March 2017	999,950	105,116	110,000	8,751,583	1,378,065	11,344,714
Balance as at 01st April 2017	999,950	105,116	110,000	8,751,583	1,378,065	11,344,714
Total Comprehensive Income						
Profit for the Year	-	-	-	-	276,401	276,401
Other Comprehensive Income						
Net Change in Fair Value of Available for Sale Investments	-	-	-	182,485	-	182,485
Actuarial Loss on Employee Benefits	-	-	-	-	(3,007)	(3,007)
Tax on Other Comprehensive Income	-	-	-	-	842	842
Total Other Comprehensive Income for the Year	-	-	-	182,485	(2,165)	180,320
Total Comprehensive Income for the Year	-	-	-	182,485	274,236	456,721
Transactions with Owners directly recorded in the Equity						
Contributions by and Distributions to Owners						
Dividend Paid	-	-	-	-	(99,995)	(99,995)
Total Contributions by and Distributions to Owners	-	-	-	-	(99,995)	(99,995)
Balance as at 31st March 2018	999,950	105,116	110,000	8,934,068	1,552,306	11,701,440

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 66 to 107.

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Cash Flows from Operating Activities				
Profit before Income Tax Expense	631,766	548,704	278,346	216,919
Adjustments for:				
Depreciation on Property, Plant and Equipment	249,228	226,620	21,087	24,911
Changes in Fair Value of Financial Assets Held for Trading	(4,835)	8,765	(4,835)	8,765
Provision for Impairment of Investments in Subsidiaries	-	-	261	233
Provision / (Reversal) of impairment of trade receivables	(5,149)	(9,366)	3,349	(8,325)
Gain on disposal of Property, Plant and Equipment	(77)	(1,886)	(7)	(1,886)
Provision for Retirement Benefit Obligation	19,085	15,173	11,601	9,080
Change in Fair Value of Biological Assets	(136,198)	(170,790)	-	-
Loss on Disposal of Biological Assets	(327)	10,794	-	-
Dividend income	(343,720)	(287,552)	(388,720)	(287,552)
Interest Income	(7,227)	(2,884)	(18,614)	(10,083)
Interest Expense	62,758	84,882	4,734	9,763
Changes in:	465,304	422,460	(92,798)	(38,175)
Inventories	(285,290)	3,204	(235,353)	76,963
Trade and Other Receivables	(129,631)	110,783	(99,213)	92,917
Amounts due from Related Companies	(5,722)	10,350	441,678	(228,076)
Amounts due to Related Companies	941	(18,226)	(69,301)	98,628
Trade and Other Payables	(30,475)	126,801	(111,627)	113,532
Cash Flows generated from/(used in) Operating Activities	15,127	655,372	(166,614)	115,789
Interest Paid	(62,758)	(84,882)	(4,734)	(9,763)
Income Tax Paid	(52,437)	(26,721)	(10,175)	(12,411)
Retiring Gratuity Paid	(7,168)	(5,947)	(3,810)	(3,545)
Net Cash Flows generated from/(used in) Operating Activities	(107,236)	537,822	(185,333)	90,070

For the Year Ended 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Cash Flows from Investing Activities				
Interest Received	7,227	2,884	18,614	10,083
Dividend Received	10,334	287,552	55,334	287,552
Investment in Financial Assets Held for Trading	(20,610)	(6,573)	(20,610)	(6,573)
Acquisition of Biological Assets	(86,835)	(60,265)	-	-
Proceeds from Disposal of Property, Plant and Equipment	229	1,886	7	1,886
Proceeds from Sale of Biological Assets	175,223	119,637	-	-
Purchase and Construction of Property, Plant and Equipment	(157,773)	(206,835)	(1,719)	(738)
Net Cash Flows Generated from/(used in) Investing Activities	(72,205)	138,286	51,626	292,210
Cash Flows from Financing Activities				
Repayment of Borrowings during the Year	(66,812)	(66,813)	-	-
Dividend Paid	(99,995)	(49,998)	(99,995)	(49,998)
Net Cash Flows used in Financing Activities	(166,807)	(116,811)	(99,995)	(49,998)
Net Increase/(Decrease) in Cash and Cash Equivalents	(346,248)	559,297	(233,702)	332,282
Cash and Cash Equivalents at the beginning of the Year	(26,212)	(585,509)	83,690	(248,592)
Cash and Cash Equivalents at the end of the Year (Note 20)	(372,460)	(26,212)	(150,012)	83,690
Note B				
Analysis of Cash and Cash Equivalents at the end of the Year				
Cash and Cash Equivalents	66,669	188,117	38,010	161,432
Bank Overdraft	(439,129)	(214,329)	(188,022)	(77,742)
	(372,460)	(26,212)	(150,012)	83,690

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 66 to 107.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

The Consolidated Financial Statements of Lanka Milk Foods (CWE) PLC as at and for the year ended 31st March 2018 comprise of the financial information of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

1.2 Principal Activities And Nature Of Operations

The principal activity of the Company is importing, packaging and distribution of milk allied products. Description of the nature of the operation and principal activities of the subsidiaries are given in Note 29 to the Financial Statements.

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

These Financial Statements include the following components:

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

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

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

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

2.2 Directors Responsibility for Financial Statements

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

2.3 Approval of Financial Statements

The Consolidated Financial Statements of the Company for the year ended 31 March 2018 were approved and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 14th August 2018.

2.4 Basis of Measurement

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

- | | |
|--|--|
| i. Available-for-Sale Financial Assets | Fair value. |
| ii. Defined Benefit Obligation | Actuarially valued and recognized at Present value of the defined benefit obligation |
| iii. Biological assets | Fair value less costs to sell |
| iv. Financial Assets Held for Trading | Fair value. |

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

2.5 Functional and Presentation Currency

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

2.6 Materiality and Aggregation

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

2.7 Use of Judgments and Estimations

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the 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 prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2018 is included in the following notes.

Note 15	– Biological Assets
Note 23	– Deferred Tax Assets; availability of future taxable profit against which Tax losses carried forward can be used.
Note 24	– Retirement Benefit Obligations; key actuarial assumptions
Note 17	– Impairment Loss; key assumptions underlying recoverable amounts
Note 26 & 30	– Provisions and contingencies; key assumptions about likelihood and magnitude of an outflow of resources

Going Concern

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

2.8 Current versus Non-Current Classification

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

All other assets are classified as Non-Current Assets.

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

All other liabilities are classified as Non-Current Liabilities.

2.9 Offsetting

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Company and Group have consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

3.1 Basis of Consolidation

3.1.1 Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

3.1.2 Subsidiaries

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

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

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

3.1.3 Non-Controlling Interests ("NCI")

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

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

3.1.4 Loss of Control

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

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

3.1.5 Transactions eliminated on Consolidation

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

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

3.2 Foreign Currency Transactions

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

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

3.3 Statement of Financial Position

3.3.1 Property, Plant and Equipment

3.3.1.1 Freehold Assets Recognition

a. Recognition

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are

expected to be used during more than one period. Property, Plant & Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

b. Measurement

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

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

c. Subsequent Cost

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

d. De-recognition

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

e. Depreciation

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

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

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

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

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

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

f. Capital Work-In-Progress

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

3.3.1.2 Operating Leases

When the lessor effectively retains substantially all the risks and rewards of an asset under the lease agreement, such leases are classified as operating leases. The land occupied by the Group is on 50 years' operating lease from the

NOTES TO THE FINANCIAL STATEMENTS

Government of Sri Lanka. Payments made under operating leases are recognized in profit or loss on a straight line basis over the term of the lease.

3.3.1.3 Impairment of Non-Financial Assets

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

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

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

An impairment loss is recognized in profit or loss.

3.3.2 Inventories

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

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

3.3.3 Biological Assets

Biological assets comprise male cows and dairy cows which are divided into calves, heifers and milkable cows, which are raised or grown by the Group for the purposes of producing raw milk.

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

Fair value of biological assets are based on the market price of livestock of similar age, weight, pregnancy, lactations and milk production.

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

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

3.3.4 Financial Instruments

3.3.4.1 Non-derivative Financial Assets

The Group recognizes a financial asset in its Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

The Group initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets are initially recognized on the trade date.

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Group has following non derivative financial assets: Fair value through profit or loss, Loans and receivables and Available for sale.

a. Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Group manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction

costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, including any interests or dividend income, are recognized in profit or loss.

Fair value through profit or loss comprise trading portfolio of the Group which includes investment in quoted equity securities.

b. Loans and Receivables

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

Loans and receivables comprise trade and other receivables, amounts due from related companies and cash and cash equivalents.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

c. Available-for-Sale Investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in other comprehensive income and presented in the fair value reserve in equity. When these assets are derecognized, the gain or loss accumulated in available for sale reserve is reclassified to profit or loss.

Available-for-sale financial assets comprise of investment in quoted equity securities purchased for long term investment purpose.

3.3.4.2 Non-derivative Financial Liabilities

Non-derivative financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities comprise of loans and borrowings, trade and other payables, amounts due to related companies and bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the Statement of Cash Flows.

a. De-recognition

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

3.3.4.3 Impairments

A financial assets not classified as fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

a. Financial Assets measured at Amortized Cost

The Group considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be 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.

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In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

b. Available-for-Sale Investments

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

3.3.5 Stated Capital

Ordinary Shares

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

3.3.6 Employee Benefits

a. Defined Contribution Plans

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

Employees' Provident Fund (EPF):

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

Employees' Trust Fund (ETF):

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

b. Defined Benefit Plans

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

Provision for gratuity on the employees of the Company are based on actuarial valuation as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits' (LKAS - 19). The actuarial valuation was carried out by professionally qualified firm of actuaries, as at 31 March 2018. The valuation method used by the actuary is "Projected Unit Credit Method". The Company recognizes any actuarial gains & losses arising from defined benefit plan immediately in Other Comprehensive income and all expenses related to defined benefit plan in personnel expenses in the Statement of Profit or Loss and Other Comprehensive Income.

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

The liability is not externally funded.

c. Short Term Benefits

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

3.3.7 Provisions, Contingent Assets and Contingent Liabilities

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

A Contingent Liability is:

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

A Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity

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

3.3.8 Commitments

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

3.3.9 Fair Value Measurement

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

3.4 Statement of Profit or Loss and Other Comprehensive Income

3.4.1 Revenue

3.4.1.1 Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated

costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. Revenue is recognized at invoice value net of brokerage, sale expenses and other levies related to revenue.

Export Revenue

If the export is on FOB (Free On Board) terms, the revenue is recognized when the goods are cleared at the port of shipment and the documents of title are delivered to buyer (or handed over to the local bank).

If the export is on CIF (Cost, Insurance and Freight) terms, the Group delivers the goods to the port of shipment, providing export clearance while arranging and paying for the carriage and insurance. Hence revenue is recognized on delivery to the buyer or transfer of the documents of title to the goods, whichever is later.

Sale of Farm Products

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

3.4.1.2 Dividend Income

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

3.4.1.3 Rent Income

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

3.4.1.4 Interest Income

Interest income is recognized as it accrues in the profit or loss, using the effective interest method.

3.4.2 Other Operating Income

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

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

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

3.4.3 Borrowing Cost

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a

NOTES TO THE FINANCIAL STATEMENTS

substantial period of time to get ready for its intended use or sale is capitalized as part of that asset.

Borrowing costs that are not capitalized are recognized as expenses in the period which they

are incurred and charged to the Statement of Profit or Loss.

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

3.4.4 Finance Income and Expense

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

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

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

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

3.4.5 Income Tax Expense

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

a. Current Tax Expense

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act, No.10 of 2006 and amendments made thereto.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or subsequently enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

b. Deferred Tax

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

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

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

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

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

3.4.6 Subsequent Events

All material post reporting events have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

3.4.7 Earnings per Share (EPS)

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

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

3.4.8 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (Business Segment) or in providing products or services within

a particular economic environment (Geographical Segment), which is subject to risks and rewards that are different from those of other segments.

The activities of the segments are described in Note 32 to the Financial Statements.

3.4.9 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.

3.4.10 Comparative Information

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

3.4.11 Statement of Cash Flows

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

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

A number of new standards and amendments to standards which have been issued but not yet effective as at the Reporting date have not been applied in preparing these Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these financial Statements and the Company plans to apply these standards on the respective effective dates.

SLFRS 9 – "Financial Instruments" – effective for annual periods beginning on or after 01st January 2018

SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement" is effective for annual reporting periods beginning on or after 01 January 2018.

The final version of SLFRS 9 – Financial Instruments that replaces LKAS 39 – Financial Instruments: Recognition and Measurement and all previous version of SLFRS 9. SLFRS 9 bring together all three aspects of the accounting for the financial instrument i.e. Classification and Measurement, Impairment and Hedge Accounting.

The Group and the Company are in the process of identifying the impact of these standards on its Financial Statements. The impact of the implementation of the standard not yet finalized.

SLFRS 15 - 'Revenue from Contracts with Customers' - effective for annual periods beginning on or after 01st January 2018.

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognized when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled.

SLFRS 15 replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts' and IFRIC 13 on "Customer Loyalty Programs", IFRIC 15 " Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC 31 "Revenue-Barter Transactions involving Advertising Services" .

The Group and the Company are in the process of identifying the impact of these standards on its Financial Statements. The impact of the implementation of the standard not yet finalized.

SLFRS 16 - 'Leases'- effective for annual periods beginning on or after 01st January 2019.

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance sheet finance leases and Off- Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

The Group do not expect significant impact on its Financial Statements resulting from the application of SLFRS 16.

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For the Year Ended 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
5. REVENUE				
Gross Revenue	5,530,748	5,363,012	1,909,063	2,095,145
Less : Nation Building Tax	(114,201)	(112,804)	(38,073)	(41,718)
	5,416,547	5,250,208	1,870,990	2,053,427
6. OTHER OPERATING INCOME				
Gain on disposal of Property, Plant and Equipment	77	1,886	7	1,886
Gain on disposal of Biological Assets	327	402	-	-
Change in Fair Value of Biological Assets (Note 15.1)	136,198	170,791	-	-
Commission Income	67,689	70,806	67,689	70,806
Dividend Income	343,720	287,552	388,720	287,552
Sundry Income	65,976	124,482	361	205
Reversal of Bad Debts Provision	5,774	15,140	-	8,325
Storage Income	10,000	8,125	10,000	8,125
Other Income	572	-	-	-
	630,333	679,184	466,777	376,899
7. NET FINANCE INCOME/ (EXPENSE)				
7.1 Finance Income				
Interest on Fixed Deposits	5,764	335	5,743	268
Interest on Loans and Receivables	555	2,165	471	2,118
Interest on Trade Receivables	908	384	810	299
Gain on Translation of Foreign Currency	16,124	14,934	10,108	7,174
Interest on Amounts due from Related Companies	-	-	11,590	7,398
Gain on Changes in Fair Value of Financial Assets Held for Trading	4,835	-	4,835	-
	28,186	17,818	33,557	17,257
7.2 Finance Expense				
Interest on Bank Overdraft	(17,030)	(30,991)	(4,440)	(8,121)
Interest on Long Term Borrowings	(45,728)	(53,891)	(294)	(1,642)
Loss on Changes in Fair Value of Financial Assets Held for Trading	-	(8,765)	-	(8,765)
	(62,758)	(93,647)	(4,734)	(18,528)
Net Finance Income/(Expense)	(34,572)	(75,829)	28,823	(1,271)

For the Year Ended 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
8. PROFIT BEFORE INCOME TAX EXPENSE				
Profit before income tax expense is stated after charging all the expenses including the followings;				
Directors' Emoluments	6,906	5,313	6,906	5,313
Auditors' Remuneration				
- Audit Services	4,314	4,139	2,650	2,525
- Audit Related Services	544	518	544	518
Non Audit Services Fees	335	-	335	-
Impairment of Investment in Subsidiaries	-	-	261	232
Depreciation on Property, Plant and Equipment	249,228	226,620	21,087	24,911
Lease Rent for Land	30,375	29,612	67	67
Provision/(Reversal) for Impairment Loss on Trade Receivables	(5,158)	(9,366)	3,349	(8,325)
Management Fees	1,020	1,000	1,020	1,000
Personnel Costs (Note 8.1)	515,743	460,898	269,929	255,602
Provision Reversal on Obsolete Inventories	-	(1,086)	-	(1,086)
Provision for Impairment on Other Receivables	9	-	-	-
8.1 Personnel Costs				
Defined Contribution Plan Costs - EPF and ETF	39,907	38,391	21,849	21,886
Defined Benefit Plan Cost - Retirement Benefit Obligation	19,085	15,173	11,601	9,080
Other Staff Costs	456,751	407,334	236,479	224,636
	515,743	460,898	269,929	255,602
Total Number of Employees as at Year End	734	730	308	305
9. INCOME TAX EXPENSE				
Income Tax for the Year (Note 9.1)	17,771	11,116	3,388	1,835
Balance Income Tax Payment for 2011/12	-	1,782	-	1,782
Under Provision of Income Tax in Respect of Prior Years	-	21	-	-
Deferred Tax Charge /(Credit) for the Year (Note 23)	28,464	(6,171)	(1,443)	(20,542)
WHT on Intercompany Dividends	5,000	-	-	-
	51,235	6,748	1,945	(16,925)

- 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 Board of Investment of Sri Lanka, the profit of the Ambewela Products (Private) Limited, a subsidiary company is exempt from income tax for a period of 10 years from the year of assessment the enterprise commence to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operation of the enterprise, whichever comes first. The said exemption is commenced with effect from the Y/A 2011/12.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
9.1 Numerical Reconciliation of Accounting Profit to Income Tax Expense				
Profit before Income Tax Expense	631,766	548,704	278,346	216,919
Consolidation Adjustments	50,606	6,820	-	-
	682,372	555,524	278,346	216,919
Non Business Income	(24,305)	(10,282)	(18,614)	(10,083)
Disallowable Expenses	325,720	313,816	40,886	43,021
Tax Deductible Expenses	(230,243)	(241,617)	(11,719)	(16,310)
Tax Exempt Income	(547,531)	(398,106)	(403,670)	(295,879)
Gain on Disposal of Livestock	78,597	-	-	-
Business Profit/(Loss)	284,610	219,335	(114,771)	(62,332)
9.1.1 Business Profit	205,591	223,225	-	-
Business Profit Exempted	205,247	97,254	-	-
Business Loss	(126,228)	(101,144)	(114,771)	(62,332)
	284,610	219,335	(114,771)	(62,332)
Business Profit	205,591	223,225	-	-
Non Business Income	24,305	10,282	18,614	10,083
Tax Loss claimed during the Year (Note 9.2)	(80,464)	(81,727)	(6,515)	(3,529)
Qualifying Payments during the Year	-	(52,460)	-	-
Taxable Income	149,432	99,320	12,099	6,554
Income Tax @ 28%	4,405	1,842	3,388	1,835
Income Tax @ 10%	13,366	9,274	-	-
	17,771	11,116	3,388	1,835
9.2 Accumulated Tax Losses				
Tax Loss brought Forward	1,593,982	1,262,197	381,639	322,836
Adjustments related to Prior Years	(288,332)	312,368	(6,861)	-
Loss for the Year	126,228	101,144	114,771	62,332
Tax Loss claimed during the Year (35% at S.I)	(80,464)	(81,727)	(6,515)	(3,529)
Tax Loss Carried Forward	1,351,414	1,593,982	483,034	381,639

10. EARNINGS PER SHARE

- 10.1 The calculation of Basic Earnings per Share is based on the profit after tax attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

For the Year Ended 31 March	Group		Company	
	2018	2017	2018	2017
Profit Attributable to Ordinary Shareholders (Rs.'000)	580,784	542,179	276,401	233,844
Weighted Average Number of Ordinary Shares ('000) (Note 21)	39,998	39,998	39,998	39,998
Basic Earnings per Share (Rs.)	14.52	13.56	6.91	5.85

- 10.2 There were no Potential dilutive ordinary shares outstanding during the year. Therefore, Dilutive Earnings per share is same as Basic Earnings per Share as shown above.

11. DIVIDEND PER SHARE

Dividend per Share (Rs.)	2.50	2.50	2.50	2.50
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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 01/04/2017 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2018 Rs.000's
Cost /Deemed Cost				
Leasehold Buildings	824,879	8,569	-	833,448
Plant and Machinery	1,831,822	278,201	-	2,110,023
Laboratory Equipment	10,449	-	-	10,449
Factory Equipment	230,848	5,232	(727)	235,353
Canteen Equipment	3,015	414	-	3,429
Office Equipment	10,299	62	-	10,361
Fire Fighting Equipment	4,255	-	-	4,255
Furniture and Fittings	11,011	229	-	11,240
Fixtures	184	-	-	184
Computers	15,097	1,396	(463)	16,030
Motor Vehicles	228,174	9,741	-	237,915
Milk Collection Equipment	3,660	-	(171)	3,489
Motor Roads and Others	63,039	-	-	63,039
	3,236,732	303,844	(1,361)	3,539,215
Capital Work in Progress	148,484	2,413	(148,484)	2,413
	3,385,216	306,257	(149,845)	3,541,628

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

	As at 01/04/2017 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2018 Rs.000's
Accumulated Depreciation				
Leasehold Buildings	381,118	17,181	-	398,299
Plant and Machinery	993,003	178,876	-	1,171,879
Laboratory Equipment	6,818	200	-	7,018
Factory Equipment	151,906	28,957	(575)	180,288
Canteen Equipment	2,417	91	-	2,508
Office Equipment	9,365	199	-	9,564
Fire Fighting Equipment	4,255	-	-	4,255
Furniture and Fittings	9,783	530	-	10,313
Fixtures	170	4	-	174
Computers	12,805	991	(463)	13,333
Motor Vehicles	194,885	16,355	-	211,240
Milk Collection Equipment	3,660	-	(171)	3,489
Motor Roads and Others	50,145	5,844	-	55,989
	1,820,330	249,228	(1,209)	2,068,349
Written Down Value	1,564,886			1,473,279

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

As at 31 March	2018	2017
Written Down Value	Rs.000's	Rs.000's
Leasehold Buildings	435,149	443,761
Plant and Machinery	938,144	838,819
Laboratory Equipment	3,431	3,631
Factory Equipment	55,065	78,942
Canteen Equipment	921	598
Office Equipment	797	934
Fire Fighting Equipment	-	-
Furniture and Fittings	927	1,228
Fixtures	10	14
Computers	2,697	2,292
Motor Vehicles	26,675	33,289
Milk Collection Equipment	-	-
Motor Roads and Others	7,050	12,894
	1,470,866	1,416,402
Capital Work In Progress	2,413	148,484
	1,473,279	1,564,886

(a) The cost of fully depreciated Property, Plant and Equipment as at the reporting date are as follows;

Lanka Milk Foods (CWE) PLC	219,382	218,624
Lanka Dairies (Private) Limited	156,321	144,825
Ambewela Livestock Company Limited	99,775	93,380
Pattipola Livestock Company Limited	64,105	55,328
Ambewela Products (Private) Limited	40,997	40,012
	580,580	552,169

(b) The Company carried out a valuation of buildings during the financial year ended 31st March 1990 in order to incorporate the value of buildings prior to privatization of the company. The corresponding increase in the carrying amount was credited to revaluation reserve. The resulting carrying amount has been deemed to be the cost of buildings which have been subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

(c) The lease hold rights of land and buildings and immovable plant and machinery amounting to Rs.900 Mn. have been pledged as security against letter of credit facility obtained from Hatton National Bank PLC.

(d) During the year Lanka Dairies (Private) Limited has been capitalized borrowing cost of Rs. 5.65Mn (2017-Rs.7.4Mn) on the loan obtained from Lanka Milk Foods (CWE) PLC.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.1 Group (Continued)

The details of buildings on leasehold lands as at 31st March 2018 are as follows:

Name of Premises and address	Extent (Hectares)	Building (Square feet)	No of Buildings	Cost of the Building Rs.000's	Accumulated Depreciation Rs.000's	Written down value Rs.000's
Welisara	3.275	140,800	3	434,416	269,034	165,383
Ambewela	458.47		133	399,032	129,265	269,766
				833,448	398,299	435,149

12.2 Company

	As at 01/04/2017 Rs.000's	Additions/ Transfers Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2018 Rs.000's
Cost /Deemed Cost				
Leasehold Buildings	358,951	-	-	358,951
Plant and Machinery	176,757	105	-	176,862
Laboratory Equipment	2,843	-	-	2,843
Factory Equipment	9,279	40	-	9,319
Canteen Equipment	3,015	414	-	3,429
Office Equipment	8,422	5	-	8,427
Fire Fighting Equipment	4,223	-	-	4,223
Furniture and Fittings	4,015	47	-	4,062
Fixtures	164	-	-	164
Computers	10,332	1,101	(463)	10,970
Motor Vehicles	109,206	7	-	109,213
	687,207	1,719	(463)	688,463

	As at 01/04/2017 Rs.000's	Charge for the Year Rs.000's	Disposals/ Transfers Rs.000's	As at 31/03/2018 Rs.000's
Accumulated Depreciation				
Leasehold Buildings	230,722	8,548	-	239,270
Plant and Machinery	158,487	3,713	-	162,200
Laboratory Equipment	2,822	7	-	2,829
Factory Equipment	6,145	652	-	6,797
Canteen Equipment	2,418	92	-	2,510
Office Equipment	7,727	126	-	7,853
Fire Fighting Equipment	4,223	-	-	4,223
Furniture and Fittings	3,822	118	-	3,940
Fixtures	164	-	-	164
Computers	9,492	526	(463)	9,555
Motor Vehicles	98,475	7,305	-	105,780
	524,497	21,087	(463)	545,121
Written Down Value	162,710			143,342

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.3 Company (Continued)

As at 31 March	2018	2017
Written Down Value	Rs.000's	Rs.000's
Leasehold Buildings	119,681	128,229
Plant and Machinery	14,662	18,270
Laboratory Equipment	14	21
Factory Equipment	2,522	3,134
Canteen Equipment	919	597
Office Equipment	574	695
Fire Fighting Equipment	-	-
Furniture Fittings	122	193
Fixtures	-	-
Computers	1,415	840
Motor Vehicles	3,433	10,731
	143,342	162,710

13. INVESTMENT IN SUBSIDIARIES

COMPANY

As at 31 March	2018			2017	
	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)			(388,551)		(388,290)
			755,001		755,262

13.1 Provision for Impairment of Investments

As at 31 March	2018	2017
	Rs.000's	Rs.000's
Balance as at 1st April	388,290	388,290
Charge for the Year	261	-
Balance as at 31st March	388,551	388,290

NOTES TO THE FINANCIAL STATEMENTS

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

13.1 Provision for Impairment of Investments (Continued)

13.1.1 The Company has made provision for impairment of Rs.388,550,501/- on the investment in subsidiaries as at 31st March 2018 and due to the adverse business environment in which the subsidiary companies are operated. This has resulted in continues operating losses and negative operating cash flows in subsidiary companies and adjusted net asset basis has been considered as the recoverable amount for the calculation of provision for impairment as at the each reporting date. The breakup of the impairment provision is as follows;

As at 31 March	2018 Rs.000's	2017 Rs.000's
Ambewela Livestock Company Limited	(51,137)	(51,137)
Pattipola Livestock Company Limited	(46,815)	(46,815)
Ambewela Products (Private) Limited	(271,435)	(271,435)
Indo Lanka Exports (Private) Limited	(19,164)	(18,903)
	(388,551)	(388,290)

14. INVESTMENT IN EQUITY SECURITIES

As at 31 March	2018		2017	
	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	44,991,407	667,717	-	-
Melstacorp PLC	151,846,000	8,837,437	151,846,000	8,989,283
		9,505,154		8,989,283
14.2 Financial Assets Held for Trading				
Group/Company				
Browns Beach Hotels PLC	1,251,558	18,273	1,251,558	26,658
Colombo Dockyard PLC	219,948	18,256	219,948	16,716
Commercial Bank of Sri Lanka PLC - Voting	1,721,310	233,754	1,544,964	201,464
		270,283		244,838

15. BIOLOGICAL ASSETS

As at 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
15.1 Livestock				
Balance as at the beginning of the Year	476,725	385,064	-	-
Additions during the Year	53,140	37,068	-	-
Increase in Fair Value during the Year	136,198	170,791	-	-
Disposals during the Year	(137,853)	(116,198)	-	-
Balance as at the end of the Year	528,210	476,725	-	-
15.2 Non Perennial Crops - At Cost				
Balance as at the beginning of the Year	19,208	10,245	-	-
Additions during the Year	33,695	23,197	-	-
Disposals during the Year	(37,095)	(14,234)	-	-
Balance as at the end of the Year	15,808	19,208	-	-

The Group has used the following significant criteria in determining the fair value of the biological assets as at 31st March 2018.

Weight

Pregnancy

Milk Production

Lactations

Age

15.3 Measurement of Fair Values

a) Fair Value Hierarchy

The fair value measurements of the standing livestock have been categorized as Level 2 fair values 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.

For the Year Ended 31 March Group	2018 Rs.000's	2017 Rs.000's
Gain included in Other Income		
Change in fair value (realized)	327	402
Change in fair value (unrealized)	136,198	170,791
	136,525	171,193
Gain included in Other Operating Expense		
Change in fair value (realized)	-	11,196
	-	11,196

NOTES TO THE FINANCIAL STATEMENTS

15. BIOLOGICAL ASSETS (CONTINUED)

15.4 Valuation Techniques Used

Type

Livestock comprises cattle characterised as commercial or breeders

Valuation Technique

Market Comparison Technique:

The fair values are based on the market price of livestock of similar age, weight, pregnancy, Lactations and milk production.

15.5 Sensitivity Analysis

Sensitivity Variation on Selling Price

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

As at 31st March Group	-10% Rs. Rs.000's	2018 Rs. Rs.000's	+ 10% Rs. Rs.000's
Livestock	475,389	528,210	581,031
Total	475,389	528,210	581,031

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	2018 Rs. Rs.000's	+ 10% Rs. Rs.000's
Livestock	490,378	528,210	556,112
Total	490,378	528,210	556,112

16. INVENTORIES

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Raw Materials and Consumables	1,001,806	699,681	459,494	170,931
Finished Goods	92,939	52,857	23,640	5,488
Working in progress	13,197	14,092	11,104	11,674
Goods in Transit	26,270	82,292	5,008	75,800
	1,134,212	848,922	499,246	263,893
Less : Provision for Obsolete Inventories (Note 16.1)	(25,820)	(25,820)	(1,158)	(1,158)
	1,108,392	823,102	498,088	262,735
16.1 Provision for Obsolete Inventories				
Balance as at 1st April	25,820	26,906	1,158	2,244
Charge/(Reversal) for the Year	-	(1,086)	-	(1,086)
Balance as at 31st March	25,820	25,820	1,158	1,158
17. TRADE RECEIVABLES				
Trade Receivables	577,687	439,454	212,653	150,382
Less: Provision for Impairment Losses (Note 17.1)	(66,698)	(71,856)	(40,278)	(36,929)
	510,989	367,598	172,375	113,453
17.1 Provision for Impairment Losses				
Balance as at 1st April	71,856	81,222	36,929	45,254
Charge/(Reversal) for the year	(5,158)	(9,366)	3,349	(8,325)
Balance as at 31st March	66,698	71,856	40,278	36,929
18. OTHER RECEIVABLES				
Deposits and Prepayments	19,580	24,984	2,032	396
Less: Provision for Impairment	(9)	-	-	-
	19,571	24,984	2,032	396
Insurance Receivables	74	-	74	-
Other Taxes Recoverable (Note 18.1)	45,412	2,548	42,820	909
Sundry Receivables	18,421	63,813	1,608	7,223
Staff Loans and Advances	8,604	9,347	6,277	7,340
	92,082	100,692	52,811	15,868
18.1 Other Taxes Recoverable				
With Holding Tax	29	29	-	-
Nation Building tax	4,612	909	4,612	909
Value Added Tax	40,771	1,610	38,208	-
	45,412	2,548	42,820	909

NOTES TO THE FINANCIAL STATEMENTS

19. AMOUNTS DUE FROM RELATED COMPANIES

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Lanka Dairies (Private) Limited	-	-	224,159	614,322
Stassen Exports (Private) Limited	39,901	41,137	11,044	18,128
Aitken Cargo (Private) Limited	509	196	-	-
Abewela Products (Private) Limited	-	-	-	1,118
Ambewela Livestock Company Limited	-	-	316,378	316,305
Aitken Spence PLC	2,255	1,874	2,255	1,874
Distilleries Company of Sri Lanka PLC	6,538	741	6,536	736
Maudulsima Plantation PLC	150	-	150	-
Browns Beach Hotels PLC	317	-	195	-
Pattipola Livestock Company Limited	-	-	148,422	198,334
	49,670	43,948	709,139	1,150,817
Less : Provision for Impairment Losses (Note 19.1)	-	-	(192,325)	(192,325)
	49,670	43,948	516,814	958,492

19.1 Provision for Impairment Losses

	Company	
	2018 Rs.000's	2017 Rs.000's
Ambewela Livestock Company Limited	187,153	179,892
Pattipola Livestock Company Limited	5,172	12,433
	192,325	192,325

20. CASH AND CASH EQUIVALENTS

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Cash at Bank and in Hand	57,301	39,060	28,642	12,375
Call Deposit	9,368	149,057	9,368	149,057
	66,669	188,117	38,010	161,432
Less : Bank Overdraft	(439,129)	(214,329)	(188,022)	(77,742)
Cash and Cash Equivalents for the purpose of Statement of Cash Flows	(372,460)	(26,212)	(150,012)	83,690

20.1 Security details over Bank Overdraft facilities

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

21. STATED CAPITAL

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
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 Revenue Reserves

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Dairy Development Project Reserve	110,000	110,000	110,000	110,000
Retained Earnings	2,309,948	1,833,355	1,552,306	1,378,065
	2,419,948	1,943,355	1,662,306	1,488,065

Dairy Development Project Reserve

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

Retained Earnings

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

23. NET DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Summary of Net Deferred Tax Assets / (Liability)				
Balance as at 01 April	(25,027)	(31,485)	89,152	68,294
Recognized in the Profit or Loss				
Amounts Credit / (Charged) during the Year	(28,464)	6,171	1,443	20,542
Recognized in the Other Comprehensive Income				
Amounts Credit / (Charged) during the Year	1,311	287	842	316
Balance as at 31 March	(52,180)	(25,027)	91,437	89,152
Deferred Tax Assets	296,050	206,612	120,539	121,260
Deferred Tax Liabilities	(348,230)	(231,639)	(29,102)	(32,108)
	(52,180)	(25,027)	91,437	89,152

NOTES TO THE FINANCIAL STATEMENTS

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

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

As at 31 March Group /Company	2018			Deferred Tax Assets Rs.000's	2017	
	Deferred Tax Assets	Deferred Tax Liabilities	Net Deferred Tax Asset / (Liability)		Deferred Tax Liabilities	Net Deferred Tax Asset / (Liability)
	Rs.000's	Rs.000's	Rs.000's		Rs.000's	Rs.000's
Lanka Milk Foods (CWE) PLC	120,539	(29,102)	91,437	121,260	(32,108)	89,152
Net Deferred Tax Assets			91,437			89,152
Lanka Diaries (Private) Limited	126,318	(162,661)	(36,343)	51,425	(58,401)	(6,976)
Ambewela Products (Private) limited	1,068	(93,635)	(92,567)	1,021	(99,697)	(98,676)
Pattipola Livestock Company Limited	14,805	(29,512)	(14,707)	11,030	(19,557)	(8,527)
Ambewela Livestock Company Limited	33,320	(33,320)	-	21,876	(21,876)	-
Net Deferred Tax Liabilities			(143,617)			(114,179)
	296,050	(348,230)	(52,180)	206,612	(231,639)	(25,027)

23.2 Reconciliation of Net Deferred Tax Liabilities - Group

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

	2018		2017	
	Temporary Differences Rs.000's	Tax Effect Rs.000's	Temporary Differences Rs.000's	Tax Effect Rs.000's
Deferred Tax Liabilities On :				
Property, Plant and Equipment	(1,073,632)	(266,723)	(1,134,757)	(173,840)
Biological Assets	(528,210)	(81,507)	(476,725)	(57,799)
	(1,601,842)	(348,230)	(1,611,482)	(231,639)
Deferred Tax Assets On :				
Employee Benefits	100,337	24,742	82,913	18,060
Unused Tax Losses	1,223,593	271,308	1,198,571	188,552
	1,323,930	296,050	1,281,484	206,612
	(277,912)	(52,180)	(329,998)	(25,027)

Reconciliation of Net Deferred Tax Assets - Company

	2018		2017	
	Temporary Differences Rs.000's	Tax Effect Rs.000's	Temporary Differences Rs.000's	Tax Effect Rs.000's
Deferred Tax Liabilities On :				
Property, Plant and Equipment	(103,935)	(29,102)	(114,670)	(32,108)
	(103,935)	(29,102)	(114,670)	(32,108)
Deferred Tax Assets On :				
Employee Benefits	62,227	17,423	51,429	14,401
Unused Tax Losses	368,263	103,116	381,639	106,859
	430,490	120,539	433,068	121,260
	326,555	91,437	318,398	89,152

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

23.3 Movement of Net Deferred Tax Liabilities - Group

	As at 01 April 2017		(Charged) / Credit in		As at 31 March 2018	As at 01 April 2016		(Charged) / Credit in		As at 31 March 2017
			P&L	OCI				P&L	OCI	
	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
Property, Plant and Equipment	(173,840)	(92,883)	-	-	(266,723)	(177,559)	3,719	-	-	(173,840)
Biological Assets	(57,799)	(23,708)	-	-	(81,507)	(46,267)	(11,532)	-	-	(57,799)
Employee Benefits	18,060	5,371	1,311	-	24,742	15,674	2,099	287	-	18,060
Unused Tax Losses	188,552	82,756	-	-	271,308	176,667	11,885	-	-	188,552
	(25,027)	(28,464)	1,311	-	(52,180)	(31,485)	6,171	287	-	(25,027)

Movement of Net Deferred Tax Assets - Company

	As at 01 April 2017		(Charged) / Credit in		As at 31 March 2018	As at 01 April 2016		(Charged) / Credit in		As at 31 March 2017
			P&L	OCI				P&L	OCI	
	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
Property, Plant and Equipment	(32,108)	3,006	-	-	(29,102)	(34,635)	2,527	-	-	(32,108)
Employee Benefits	14,401	2,180	842	-	17,423	12,535	1,550	316	-	14,401
Unused Tax Losses	106,859	(3,743)	-	-	103,116	90,394	16,465	-	-	106,859
	89,152	1,443	842	-	91,437	68,294	20,542	316	-	89,152

- 23.4 The Group and Company has not been recognized deferred tax assets of Rs. 33,962,935/- and Rs. 32,135,880/- as at 31 March 2018, arising on unused tax losses of Rs. 127,820,954/- and Rs.114,770,558/- respectively, since there is an uncertainty that future taxable profit will be available against which the Group and Company can utilize the benefit there from.

Deferred tax asset has not been recognized in the Financial Statements of subsidiary of the Group (Ambewela Livestock Company Limited) 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 asset has been recognized in the Financial Statements to the extent of deferred tax liability. The unrecorded deferred tax assets of the subsidiary as at 31 March 2018 is Rs.1,827,055/- on unused tax losses of Rs. 13,050,396/-.

Group/ Company	Deductible Temporary Difference Rs.	Unrecognized Deferred Tax Assets Rs.
Lanka Milk Foods (CWE) PLC	114,770,558	32,135,880
Ambewela Livestock Company Limited	13,050,396	1,827,055
	127,820,954	33,962,935

NOTES TO THE FINANCIAL STATEMENTS

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

23.5 Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No 24 of 2017 effective from 1 April 2018, the Group has used following tax rates in assessing the deferred tax asset/liability for the current financial year.

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

Note a.

Ambewela Products (Private) Limited will be liable at tax at the rate of 20% after the tax holiday period (Y/A 2021/22) as per the agreement entered with Board of Investment of Sri Lanka. Accordingly, 20% tax rate has used in assessing the deferred tax asset/liability for the current financial year.

24. EMPLOYEE BENEFITS

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Balance as at the beginning of the Year	82,913	72,428	51,429	44,765
Interest Cost	7,067	7,604	6,429	4,700
Current Service Cost	12,018	7,569	5,172	4,380
Actuarial Loss	5,507	1,259	3,007	1,129
Payments during the Year	(6,936)	(3,722)	(3,810)	(2,874)
Payments due as at Year end	(232)	(2,225)	-	(671)
Balance as at the end of the Year	100,337	82,913	62,227	51,429

24.1 The total amount recognized in the Statement of Profit or Loss and Other Comprehensive Income in respect of Employee Benefit Liability made up as follows;

Interest cost	7,067	7,604	6,429	4,700
Current service cost	12,018	7,569	5,172	4,380
Expense recognized in Comprehensive Income	19,085	15,173	11,601	9,080
Actuarial Loss	5,507	1,259	3,007	1,129
Expense recognized in Other Comprehensive Income	5,507	1,259	3,007	1,129

The Employee Benefit of the Group is based on the Actuarial Valuation carried out by Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries as at 31 March 2018.

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

24.1 EMPLOYEE BENEFITS (CONTINUED)

	2018 Rs.000's	2017 Rs.000's
i) Discount rate	11%	12.5%
ii) Annual salary increment rate	12%	12%
iii) Retirement Age	55 Years	55 Years

The calculation of the Employee Benefits is sensitive to the assumptions set out above. The following table summarizes how the impact on the Employee Benefits 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	
	+1% Rs.000's	-1% Rs.000's	+1% Rs.000's	-1% Rs.000's
Effect on the discounting rate	(4,186)	4,615	(2,561)	2,821
Effect on the salary escalation rate	4,653	(4,276)	2,845	(2,630)

25. LOANS AND BORROWINGS

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Term Loans - Secured				
Balance as at beginning of the Year	384,171	450,984	-	-
Add : Loans obtained during the Year	-	-	-	-
	384,171	450,984	-	-
Less : Repayments during the Year	(66,812)	(66,813)	-	-
Balance as at end of the Year	317,359	384,171	-	-
Amount payable within one Year	66,812	66,812	-	-
Amount Payable after one Year	250,547	317,359	-	-
	317,359	384,171	-	-

25.1 Terms and Conditions of the loan obtained by the Subsidiary, Lanka Diaries (Pvt) Ltd

Financial Institution	Purpose	Assets Pledged	Interest Rate
DFCC Bank PLC	Import and installation of new machinery to the factory	Mortgaged value of imported machines and Gurantee provided by Lanka Milk Foods (CWE) PLC	AWPLR +1.25

26. TRADE AND OTHER PAYABLES

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Trade and Other Payables	274,376	185,778	51,445	46,051
Accrued Expenses	27,656	23,399	10,647	4,338
Outstanding Letter of Credit	4,946	128,432	4,946	128,432
Unclaimed Dividend	3,762	3,606	3,762	3,606
	310,740	341,215	70,800	182,427

NOTES TO THE FINANCIAL STATEMENTS

27. AMOUNTS DUE TO RELATED COMPANIES

As at 31st March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Stassen Exports (Private) Limited	5,380	2,437	63	151
Indo Lanka Exports (Private) Limited	-	-	22,545	23,176
Aitken Spence PLC	1,558	1,981	58	1,260
Aitken Cargo (Private) Limited	-	165	-	-
Abewela Products (Private) Limited	-	-	32,084	100,008
Milford Exports (Ceylon) (Private) Limited	-	50	-	50
Distilleries Company of Sri Lanka PLC	3,738	5,164	540	-
Lanka Bell (Private) Limited	78	16	59	5
	10,754	9,813	55,349	124,650

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

At 31st March, the minimum future lease payments under non-cancellable leases were Payable as follows;

	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Less than One Year	30,375	29,839	67	67
Between One and Five Years	150,089	150,089	335	335
More than Five Years	868,596	898,971	603	670
	1,049,060	1,078,899	1,005	1,072

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

Ambewela Livestock Company Limited and Pattipola Livestock Company Limited have annual commitments of Rs.18,056,639/- and Rs. 12,252,345/- 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.

The rent payable in respect of each successive year shall be an amount to be determined by multiplying the previous years lease rent by the GDP deflator of the preceding year which is determined by the Central Bank of Sri Lanka and published in it's Annual Report.

28.2 Capital Commitments

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

29. DETAILS OF SUBSIDIARIES

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

30. CONTINGENT LIABILITIES

There are no material 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	32

31. SUBSEQUENT EVENTS

There are no other material Subsequent events 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. 2.50 per share amounting to Rs. 99,995,500 for the year ended 31st March 2018. This is to be approved by the Annual General Meeting to be held on 12th September 2018.

NOTES TO THE FINANCIAL STATEMENTS

32. SEGMENTAL REPORTING

A Segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), which is subject to risks and rewards that are different from those of Other Segments.

Segmental information is presented in respect of the Group's Business Segments. The Business Segments are determined based on the Group's management and internal reporting structure. Segment results, Assets and Liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Powdered milk			Liquid Milk and Others			Agriculture			Elimination			Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	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	Rs. 000's	Rs. 000's
Total Revenue	1,870,990	2,053,427	3,962,088	3,631,438	445,054	421,949	(861,585)	(856,606)	5,416,547	5,250,208				
Profit/(Loss) from Operation	249,523	218,190	431,470	357,759	30,687	48,006	(45,342)	578	666,338	624,533				
Net Finance Income/(Expense)	28,823	(1,271)	(53,001)	(60,072)	(4,825)	(7,088)	(5,569)	(7,398)	(34,572)	(75,829)				
Income Tax Expenses	(1,945)	16,925	(36,831)	(19,032)	(7,459)	(4,640)	(5,000)	-	(51,235)	(6,748)				
Profit / (Loss) for the Year	276,401	233,844	341,638	278,655	18,402	36,278	(55,910)	(6,820)	580,531	541,956				
Segment Assets	12,077,838	11,780,962	2,783,372	2,591,186	640,836	603,793	(1,708,567)	(2,017,019)	13,793,479	12,958,922				
Segment Liabilities	376,398	436,248	1,170,703	1,344,685	778,180	757,963	(1,002,228)	(1,391,575)	1,323,053	1,147,321				
Segment Net Assets	11,701,440	11,344,714	1,514,763	1,246,501	(137,344)	(154,170)	(608,433)	(625,444)	12,470,426	11,811,601				
Segment Capital Expenditure	1,719	738	289,661	199,173	18,120	14,322	(3,243)	(7,398)	306,257	206,835				
Depreciation on Property, Plant and Equipment	21,087	24,911	206,907	190,706	13,262	11,348	7,972	(345)	249,228	226,620				

33. RELATED PARTY DISCLOSURES

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

Details of related party transactions are reported below:

33.1 Transactions with Subsidiary Companies

For the Year Ended 31st March Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2018 Rs.	2017 Rs.
Lanka Dairies (Private) Limited	Mr.D.H.S.Jayawardena	Sale of Goods	172,897,744	212,136,191
	Mr.C.R.Jansz	Settlement of Goods Sales	185,785,415	174,981,543
	Ms.D.S.C.Jayawardena	Expense Reimbursement	42,500	-
	Mr.D.Hasitha S.Jayawardena	Received of Opening balance Settlement	169,919,310	-
		Settlement of Short Term Loan	330,000,000	-
		Received Loan Interest Settlement	18,987,940	-
		Granted Short Term Loan	130,000,000	200,000,000
		Charged Short Term Loan Interest	11,589,861	7,398,079
		Bank Guarantees Provided	885,000,000	885,000,000
Ambewela Livestock Company Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	68,387	157,512
	Mr.C.R.Jansz	Sale of Goods	807,244	637,908
	Ms.D.S.C.Jayawardena	Settlement of Goods Sales	802,909	755,014
	Mr.D.Hasitha S.Jayawardena	Bank Guarantees Provided	60,000,000	60,000,000
Pattipola Livestock Company Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	105,760	73,494
	Mr.C.R.Jansz	Sale of Goods	679,523	72,924
	Ms.D.S.C.Jayawardena	Settlement of Goods Sales	679,523	143,906
	Mr.D.Hasitha S.Jayawardena	Goods Purchases	7,549	180,450
		Settlement of Goods Purchases	7,549	180,450
		Received of Opening balance Settlement	50,017,338	-
Ambewela Products (Private) Limited	Mr.D.H.S.Jayawardena	Sale of Goods	80,990,055	45,546,799
	Mr.C.R.Jansz	Expense Reimbursement	291,154	80,388
	Ms.D.S.C.Jayawardena	Settlement of Goods Sales & Others	13,062,352	65,743,550
	Mr.D.Hasitha S.Jayawardena	Obtained Short Term Loan	50,000,000	100,000,000
		Charged Short Term Loan Interest	294,192	-
		Settlement of Short Term Loan	50,000,000	-
		Bank Guarantees Provided	150,000,000	150,000,000
Indo Lanka Exports (Private) Limited	Mr.D.H.S.Jayawardena	Expense Reimbursement	631,425	335,796
	Mr.C.R.Jansz	Bank Guarantees Provided	31,600,000	31,600,000
	Ms.D.S.C.Jayawardena			

NOTES TO THE FINANCIAL STATEMENTS

33. RELATED PARTY DISCLOSURES (CONTINUED)

33.2 Transactions with Other Related Companies

For the Year Ended 31st March Name of the Company	Name of Common Directors	Nature of Transaction	Amount	
			2018 Rs.	2017 Rs.
Milford Exports (Ceylon) (Pvt) Limited	Mr.D.H.S.Jayawardena	Management Fee	1,123,469	1,100,000
	Ms.D.S.C.Jayawardena	Director Fee	1,760,204	1,725,000
	Mr.D.Hasitha S.Jayawardena	Dividend Paid	33,566,350	16,783,175
Stassen Exports (Pvt) Limited	Mr.D.H.S.Jayawardena	Reimbursement of Expenses	8,173,225	7,988,146
	Ms.D.S.C.Jayawardena	Services Obtained	3,043,567	6,760,162
	Mr.D.Hasitha S.Jayawardena	Sale of Goods	23,647,171	25,846,134
		Services Rendered and Others	91,131,917	91,881,355
		Related Party Settlement	126,904,247	110,579,196
Hatton National Bank PLC	Ms. D.S.C. Jayawardena	Bank Charges	1,019,974	1,211,635
		Interest Paid	4,421,519	6,454,197
		Bank Overdraft	187,456,455	77,647,044
		Interest Received	5,779,399	268,003
		Fixed Deposit	-	140,000,000
Distilleries Company of Sri Lanka PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	19,735,585	9,049,571
	Mr.C.R.Jansz	Dividend Received	-	125,584,637
	Mr.D.Hasitha S.Jayawardena	Services Obtained	1,373,557	1,472,581
		Related party settlement	13,101,786	12,151,228
Aitken Spence and Company PLC	Mr.D.H.S.Jayawardena	Sale of Goods	12,475,426	12,754,393
		Settlement of Goods Sales	11,919,430	12,211,362
		Services Obtained & Others	7,857,121	5,526,093
		Settlement of Related Party	9,059,517	7,981,610
Madulsima Plantation PLC	Mr.D.H.S.Jayawardena	Services Obtained & Others	1,510,605	1,084,514
	Mr.D S K Amarasekara	Related Party Settlement	1,510,605	1,365,986
	Dr.A Shakthevale			
Lanka Bell (Pvt) Ltd	Mr.D.H.S.Jayawardena	Telephone Charges	1,029,336	961,173
	Mr.C.R.Jansz	Purchase of Bell Cards	-	2,326,000
		Settlement of Related Party	974,645	3,172,088
		Sale of Goods	39,126	133,817
		Settlement of Goods Sales	39,125	-
Melstacorp PLC	Mr.D.H.S.Jayawardena	Dividend Income Received	-	151,846,000
	Mr.C.R.Jansz	Script Dividend Received	333,386,326	-
	Mr.D.Hasitha S.Jayawardena	Dividend Paid	16,789,460	8,387,605
		Sale of Milk Foods & Energy Drinks	1,537,453	3,740,079
		Related Party Settlement	1,522,063	3,740,079
Browns Beach Hotel PLC	Mr.D.H.S.Jayawardena	Sale of Milk Foods & Energy Drinks	1,321,800	1,333,170
		Related Party Settlement	1,301,640	1,365,318

33. RELATED PARTY DISCLOSURES (CONTINUED)

33.3 Terms and conditions of transactions with related party

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

Transactions with related parties were made on the basis of the price lists in force with non-related parties (at Arm's Length). Outstanding balances with related parties other than balances relating to investment related transactions as at the reporting date are unsecured. Settlement will take place in cash. Such outstanding balances have been included under respective assets and liabilities.

33.4 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

For the Year Ended 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Short-term Employee Benefits	6,246	4,739	6,246	4,739
Post Employment Benefits	660	574	660	574
	6,906	5,313	6,906	5,313

c) Other Transactions with Key Management Personnel

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

34. 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.

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

34.1 Credit risk

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

Exposure to Credit Risk

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

As at 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Trade Receivables (Gross)	577,687	439,454	212,653	150,382
Other Receivables (Gross) (Note a.)	27,099	73,160	7,959	14,563
Amounts Due from Related Companies	49,670	43,948	516,814	958,492
Cash at Banks and Call Deposits (Note b.)	63,902	180,309	36,992	157,109
Available for Sale Investments	9,505,154	8,989,283	9,505,154	8,989,283
Financial Assets Held for Trading	270,283	244,838	270,283	244,838
	10,493,795	9,970,992	10,549,855	10,514,667

Note a.

The other assets exclude advances, deposits tax receivables and prepayments balance as at year end.

Note b.

Cash in hand balance has been excluded.

34.1.1 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 analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

34.1.2 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.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

34.1 Credit risk (Continued)

34.1.2 Impairment losses (Continued)

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

Group

As at	31st March 2018		31st March 2017	
	Gross Balance Rs.000's	Impairment Rs.000's	Gross Balance Rs.000's	Impairment Rs.000's
Past due 0-60 days	322,104	104	335,330	117
Past due 60-180 days	34,422	231	29,462	329
Past due 180-365 days	939	359	4,280	1,028
More than one year	220,222	66,004	70,382	70,382
Total	577,687	66,698	439,454	71,856

Company

As at	31st March 2018		31st March 2017	
	Gross Balance Rs.000's	Impairment Rs.000's	Gross Balance Rs.000's	Impairment Rs.000's
Past due 0-60 days	163,806	316	109,842	-
Past due 60-180 days	4,120	431	3,600	146
Past due 180-365 days	9,288	4,092	260	103
More than one year	35,439	35,439	36,680	36,680
Total	212,653	40,278	150,382	36,929

34.1.3 Investments

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

34.1.4 Cash and Cash Equivalents

The Group held cash and cash equivalents of Rs. 63,902 ('000) as at 31st March 2018 (Rs.180,309 ('000) as at 31st March 2017) which represent its maximum credit exposure on these assets.

34.1.5 Guarantees

The Group's policy is to provide corporate guarantees to its subsidiaries. Following represents all the corporate guarantees provided by the parent to its subsidiaries as at the reporting date (Refer Note 30)

Name of the company	Name of the Bank	Amount of the Guarantee Rs.Mn
Lanka Diaries (Private) Limited	Hatton National Bank	325
Lanka Diaries (Private) Limited	DFCC Bank	560
Ambewela Products (Private) Limited	Hatton National Bank	150
Ambewela Livestock Company Limited	Hatton National Bank	60
Pattipola Livestock Company Limited	Hatton National Bank	60
Indo Lanka Exports (Private) Limited	HSBC	32

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

34.2 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	2018				
	Carrying amount Rs.000's	0-2 months Rs.000's	2-6 months Rs.000's	6-12 months Rs.000's	More than 1 year Rs.000's
Financial Liabilities (Non Derivatives)					
Trade and Other Payables	310,740	236,706	60,999	9,273	3,762
Amounts Due to Related Parties	10,754	10,754	-	-	-
Interest bearing loans and borrowings	317,359	11,135	22,271	33,406	250,547
Bank Overdraft	439,129	439,129	-	-	-
	1,077,982	697,724	83,270	42,679	254,309

Company

As at 31st March	2018				
	Carrying amount Rs.000's	0-2 months Rs.000's	2-6 months Rs.000's	6-12 months Rs.000's	More than 1 year Rs.000's
Financial Liabilities (Non Derivatives)					
Trade and Other Payables	70,800	67,010	28	-	3,762
Amounts Due to Related parties	55,349	55,349	-	-	-
Bank Overdraft	188,022	188,022	-	-	-
	314,171	310,381	28	-	3,762

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

34.3 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.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

34.3 Liquidity risk (Continued)

34.3.1 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.

34.3.1.1 Exposure to currency risk

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

Group

As at 31st March	2018 USD	2017 USD
Trade and Other Payables	(982)	(17)
Gross statement of financial position exposure	(982)	(17)

The following significant exchange rates were applicable during the year;

For the Year Ended/ As at 31 March	Average rate		Reporting date spot rate	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
USD	153.45	147.61	155.83	143.26

34.3.1.2 Sensitivity Analysis

A strengthening of the LKR, as indicated below, against the USD at 31st March 2018 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 2018				
USD (10% movement)	15,237	15,237	(15,237)	(15,237)
31st March 2017				
USD (10% movement)	244	244	(244)	(244)

NOTES TO THE FINANCIAL STATEMENTS

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

34.3 Market risk (Continued)

34.3.2 Interest rate risk

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

As at 31st March	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Variable Rate Instruments				
Financial Liabilities				
Loans & Borrowings	317,359	384,171	-	-
Bank Overdrafts	439,129	214,329	188,022	77,742
	756,488	598,500	188,022	77,742

34.4 Operational risk

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

34.5 Equity Price Risk

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

As at 31st March Group/Company	-10% Rs. Rs.'000	2018 Rs. Rs.'000	+ 10% Rs. Rs.'000
Available for sale investments	8,554,639	9,505,154	10,455,670
Financial Assets Held for Trading	243,254	270,283	297,311
	8,797,893	9,775,437	10,752,981

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

34.6 Capital management

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

As at 31st March	Group		Company	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Total Liabilities	1,323,053	1,147,321	376,398	436,248
Less:				
Cash and Cash Equivalents	(66,669)	(188,117)	(38,010)	(161,432)
Net Debts	1,256,384	959,204	338,388	274,816
Total Equity	12,470,426	11,811,601	11,701,440	11,344,714
Net Debt to Equity Ratio	0.10	0.08	0.03	0.02

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.

35. 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

35.1 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 2018	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Available for Sale Investments	8,837,437	667,717	-	9,505,154
Financial Assets Held for Trading	270,283	-	-	270,283
	9,107,720	667,717	-	9,775,437

As at 31st March 2017	Group/Company			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Available for Sale Investments	8,989,283	-	-	8,989,283
Financial Assets Held for Trading	244,838	-	-	244,838
	9,234,121	-	-	9,234,121

NOTES TO THE FINANCIAL STATEMENTS

35. FAIR VALUE MEASUREMENT (CONTINUED)

35.2 Fair value of Financial Instruments carried at amortized cost

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

As at 31st March 2018	Group		Company	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets				
Cash and Cash Equivalents	66,669	66,669	38,010	38,010
Trade and Other Receivables (Net)	538,088	538,088	180,334	180,334
Amounts Due from Related Companies	49,670	49,670	516,814	516,814
Liabilities				
Bank Overdraft	439,129	439,129	188,022	188,022
Trade and Other Payables	310,740	310,740	70,800	70,800
Amounts Due to Related Companies	10,754	10,754	55,349	55,349
Loans and Borrowings	317,359	317,359	-	-

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 Companies

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 Companies

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.

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

As at 31 March 2018			
Group Financial Instrument	Classification		
	Loans and Receivables	Available for Sale Investments	Fair Value Through Profit or Loss Investments
	Rs.'000	Rs.'000	Rs.'000
Trade and Other Receivables	538,088	-	-
Amount due from Related Companies	49,670	-	-
Cash at Bank and Call Deposits	63,902	-	-
Available For Sale Investments	-	9,505,154	-
Financial Assets Held for Trading	-	-	270,283

As at 31 March 2018	
Financial liabilities	Other Financial Liabilities
	Rs.'000
Trade and Other Payables	310,740
Loans and Borrowings	317,359
Amounts Due to Related Companies	10,754
Bank Overdraft	439,129

As at 31 March 2018			
Company Financial Instrument	Classification		
	Loans and Receivables	Available for Sale Investments	Fair Value Through Profit or Loss Investments
	Rs.'000	Rs.'000	Rs.'000
Trade and Other Receivables	180,334	-	-
Amount due from Related Companies	516,814	-	-
Cash at Bank and Call Deposits	36,992	-	-
Available For Sale Investments	-	9,505,154	-
Financial Assets Held for Trading	-	-	270,283

As at 31 March 2018	
Financial liabilities	Other Financial Liabilities
	Rs.'000
Trade and Other Payables	70,800
Amounts Due to Related Parties	55,349
Bank Overdraft	188,022

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)-"LMFN".
Ticker symbol - LMF - N0000
ISIN - LK0112N00009
Stated Capital No.of Ordinary Shares -39,998,000

2. COMPOSITION ORDINARY SHAREHOLDERS

Category	No of Share Holders 31/03/2018	Total Shares 31/03/2018	Percentage (%) 31/03/2018	No of Share Holders 31/03/2017	Total Shares 31/03/2017	Percentage (%) 31/03/2017
1-1000	2,530	502,331	1.26	2,595	528,452	1.32
1001-10000	449	1,624,050	4.06	498	1,830,753	4.58
10001-100000	80	2,611,506	6.53	97	3,066,855	7.67
100001-1000000	16	4,649,263	11.62	21	5,678,874	14.20
1,000,001 & Over	5	30,610,850	76.53	5	28,893,066	72.23
Total	3,080	39,998,000	100.00	3,216	39,998,000	100.00

3. ANALYSIS OF ORDINARY SHARES

Category	No of Share Holders 31/03/2018	Total Shares 31/03/2018	Percentage (%) 31/03/2018	No of Share Holders 31/03/2017	Total Shares 31/03/2017	Percentage (%) 31/03/2017
Individuals -Local	2,874	5,742,784	14.36	2,980	6,256,194	15.64
Individuals - Overseas	43	283,820	0.71	49	337,307	0.85
Companies - Local	158	23,071,649	57.68	181	23,728,761	59.32
Companies - Overseas	5	10,899,747	27.25	6	9,675,738	24.19
Total	3,080	39,998,000	100.00	3,216	39,998,000	100.00

4. DIRECTORS' SHARES

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

	Company	
	2018/17 Rs.	2016/17 Rs.

5. Value Per Share

Earnings/ (Loss)	Rs.	6.91	5.85
Dividend	Rs.	2.50	2.50
Net Assets	Rs.	292.55	283.63

6. MARKET VALUE PER SHARE

Highest Price during the year	Rs.	195.00	135.00
Lowest Price during the year	Rs.	115.00	100.00
Value as at last trading date	Rs.	158.10	117.00

7. TWENTY MAJOR SHAREHOLDERS

	As at 31 March 2018		Name	As at 31 March 2017		
	No of Shares	% On Total Issued Capital		No of Shares	% On Total Issued Capital	
1.	Milford Exports (Ceylon) (Pvt) Limited	13,426,540	33.57	Milford Exports (Ceylon) (Pvt) Limited	13,426,540	33.57
2.	Melstacorp PLC	6,715,784	16.79	Melstacorp PLC	6,710,084	16.78
3.	Mills Enterprises Limited	6,120,290	15.30	Mills Enterprises Limited	6,120,290	15.30
4.	Caceis Bank, Luxembourg Branch - Barca Global Master Fund	2,729,207	6.82	Mellon Bank N.A Commonwealth of Massachus	1,346,814	3.37
5.	Pershing LLC S/A Averbach Grauson & Co.	1,619,029	4.05	Pershing LLC S/A Averbach Grauson & Co.	1,289,338	3.22
6.	E.W Balasuriya & Co. (Pvt) Ltd	619,212	1.55	E.W Balasuriya & Co. (Pvt) Ltd	619,212	1.55
7.	Rukaiya Husseinally Abdulhussein	600,000	1.50	Yusuf Husseinally Abdulhussein	601,933	1.50
8.	Yusuf Husseinally Abdulhussein	577,333	1.44	Waldock Mackenzie Ltd/Mr H.M. Abdulhussein	547,118	1.37
9.	People's Leasing & Finance PLC/Mr.H.M Abdullah	500,207	1.25	Mellon Bank N.A The Frontier Emerging Markets	488,075	1.22
10.	J.B. Cocoshell (Pvt) Ltd	382,335	0.96	Rukaiya Husseinally Abdulhussein	400,000	1.00
11.	Husseinally Mohsinally Abdulhussein	280,266	0.70	Husseinally Mohsinally Abdulhussein	280,266	0.70
12.	Commercial Bank Of Ceylon PLC A/C No.04	250,000	0.63	Saema Enayat Lokhandwalla	280,000	0.70
13.	Hallsville Trading Group Inc.	249,221	0.62	Commercial Bank Of Ceylon PLC A/C No.04	250,000	0.63
14.	Dinesh Nagendra Sellamuttu	183,502	0.46	Hallsville Trading Group Inc.	249,221	0.62
15.	Phillip Securities Pte Ltd	182,000	0.46	J.B.Cocoshell (Pvt) Ltd	242,399	0.61
16.	Essajee Carimjee Insurance Brokers (Pvt) Ltd	172,203	0.43	Commercial Bank Of Ceylon Plc/Sithijaya Fund	236,492	0.59
17.	Mark Anthony Theodoor Raaymakers	148,593	0.37	Essajee Carimjee Insurance Brokers (Pvt) Ltd	185,689	0.46
18.	Gulamhussein Moshinally Abdulhussein	142,622	0.36	Dinesh Nagendra Sellamuttu	183,502	0.46
19.	Manickam Vallipuram Theagarajah	140,933	0.35	Phillip Securities Pte Ltd	182,000	0.46
20.	Ratten Gulamhussein Abdulhussein	115,836	0.29	Gulamhussein Moshinally Abdulhussein	153,222	0.38
	Sub Total	35,155,113	87.90	Sub Total	33,792,195	84.49
	Other Shareholders	4,842,887	12.10	Other Shareholders	6,205,805	15.51
	Grand Total	39,998,000	100.00	Grand Total	39,998,000	100.00

Public Shareholders as at 31st March 2018	No. of Public Shareholders	Public Share Holding %	Public Shareholders as at 31st March 2017	No. of Public Shareholders	Public Share Holding %
Public Shareholding	3077	34.34	Public Shareholding	3213	34.35

TEN YEAR SUMMARY

Company-Rs.000	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
OPERATING RESULT										
Turnover	1,870,990	2,053,427	2,394,015	1,957,046	2,446,113	3,711,003	3,408,036	3,190,564	3,259,460	2,969,741
Gross Profit	131,239	154,936	222,274	63,033	171,232	514,890	388,821	292,266	547,064	370,366
Profit/ (Loss) before Tax	278,346	216,919	(37,470)	22,029	14,062	263,876	35,846	26,817	309,883	26,817
Taxation	(1,945)	16,925	20,014	46,264	29,957	(32,516)	(31,245)	(10,706)	(107,466)	2,169
Profit/ (Loss) after Tax	276,401	233,844	(17,456)	68,293	44,019	231,360	4,601	16,111	202,417	28,986
Dividends	99,995	99,995	49,998	49,998	-	59,998	39,998	-	59,997	-
STATEMENT OF FINANCIAL POSITION										
Property, Plant and Equipment	143,342	162,710	186,883	214,959	235,513	244,602	234,319	233,790	194,607	201,177
Short-term Investment	270,283	244,838	247,029	305,929	236,453	227,893	208,941	260,152	293,312	313,028
Current Assets	1,582,904	1,784,555	1,567,493	2,038,196	1,762,864	2,292,285	2,016,498	2,155,369	1,206,060	1,046,059
Total Assets	12,077,838	11,780,962	10,405,826	12,192,882	10,471,571	9,631,641	8,537,898	10,071,276	2,663,192	2,365,851
Total Equity	11,701,440	11,344,714	10,000,059	11,370,598	9,882,818	8,516,730	7,509,196	8,833,247	1,376,841	1,174,424
Non Current Liabilities	62,227	51,429	44,765	38,826	30,028	85,776	115,372	141,987	182,632	203,891
Current Liabilities	314,171	384,819	361,002	783,458	558,725	1,029,135	913,329	1,096,042	1,103,719	987,536
RATIOS										
Earnings per share (Rs.)	6.91	5.85	(0.44)	1.71	1.10	5.78	0.12	0.46	6.75	0.97
Dividend per share (Rs.)	2.50	2.50	1.25	1.25	-	1.50	1.00	-	1.50	-
Dividend cover (Times)	2.76	2.34	(0.35)	1.37	-	6.20	2.84	-	4.50	-
Dividend payout Ratio (%)	36.18	42.74	(35.20)	73.10	-	25.96	833.34	-	22.23	-
Price earning ratio (Times)	22.88	20.01	(260.22)	81.87	97.32	18.74	815.00	254.13	12.19	39.33
Total assets to equity (Times)	1.03	1.04	1.04	1.07	1.06	-	1.49	1.14	1.93	2.01
Net assets per Share (Rs.)	292.55	283.63	250.01	284.28	247.08	212.93	187.24	220.84	34.42	29.36
Market Value per share (as at 31st March) (Rs.)	158.10	117.00	114.50	140.00	107.10	108.30	97.80	116.90	82.25	38.00
Return on equity (%)	2.37	2.06	(0.18)	0.61	0.45	2.72	0.06	0.18	14.70	2.47
Return on Total Assets (%)	2.29	1.98	(0.18)	0.56	0.42	2.40	0.05	0.16	7.60	1.23
Gross Profit Ratio (%)	7.02	7.55	9.29	3.22	7.00	13.87	11.41	9.16	16.78	12.47
Net Profit/(Loss) Ratio (%)	14.78	11.39	(0.73)	3.49	1.80	6.23	0.14	0.50	37.00	7.83
Current Ratio (Times)	5.04	4.64	4.34	2.60	3.16	2.23	2.21	1.57	1.09	1.06
Liquidity Ratio (Times)	3.45	3.95	3.40	1.81	2.53	1.62	0.67	0.85	1.70	1.60

NOTICE OF MEETING

Notice is hereby given that the Thirty Sixth (36th) Annual General Meeting of Lanka Milk Foods (CWE) PLC will be held at the Auditorium of Sri Lanka Foundation Institute at No. 100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 07 on Wednesday, the 12th September 2018 at 10.00 a.m., for the following purposes.

1. To receive and consider the Report of the Directors, the Financial Statements of the Company for the year ended 31st March 2018 with the Auditors' Report thereon.
2. To approve a final dividend of Rs. 2.50 per share, as recommended by the Board of Directors.
3. To re-elect Ms. D.S.C. Jayawardena who retires by rotation at the Annual General Meeting in terms of Article No.94 of the Articles of Association, as a Director of the company.
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.

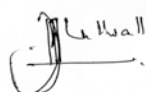
"That Mr. D.H.S. Jayawardena who attained the age of 70 on 17th August 2012 be and is hereby re-elected as a Director of the Company and it is hereby declared that the age limit of 70 years referred to in section 210 of the companies Act No.7 of 2007 shall not apply to the said Mr. D.H.S. Jayawardena."

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 authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine payments for the year 2019, for charitable and other purposes, as set out in the Company's Donations Act (Cap 147).

By order of the Board



Ms. H. K. Bulathwatte

Company Secretary

Lanka Milk Foods (CWE) PLC
14th August 2018

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 10th September 2018.

FORM OF PROXY

LANKA MILK FOODS (CWE) PLC

I/Weof

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

.....of

..... (whom failing)

Don Harold Stassen Jayawardena, (whom failing)

Cedric Royle Jansz, (whom failing)

D. S. Kamantha Amarasekera, (whom failing)

Shakthevale Arinesarajah, (whom failing)

Don Sanjivani Clarinda Jayawardena, (whom failing)

Don Hasitha Stassen Jayawardena,

as my/our proxy to represent me/us and to vote for me/us and on my /our behalf at the Thirty Sixth (36th) Annual General Meeting to be held on Wednesday, the 12th September 2018 at any adjournment thereof and at every poll which may be taken in consequence thereof to vote;

	For	Against
To approve a final dividend of Rs. 2.50 per share	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Ms. D.S.C. Jayawardena, who retires in terms of Article No.94 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Mr. D. H .S. Jayawardena, who retires in terms of section 210 and 211 of the Companies Act No. 7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
To re-elect Dr. A. Shakthevale, who retires in terms of section 210 and 21 of the Companies Act No. 7 of 2007	<input type="checkbox"/>	<input type="checkbox"/>
To re-appoint Auditors and to authorise the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
To authorize the Directors to determine payments for charitable and other purposes in terms of Company's Donation Act. (Cap 147)	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2018

.....
Signature/s of Shareholder/s

FORM OF PROXY

Notes:

(a) In terms of Article 72 of the Article of Association of the Company:-

The Instrument appointing a proxy shall be in writing and,

(i) In the case of an individual shall be signed by the appointer or by his Attorney; and

(ii) In the case of a Corporation shall be either under its common seal or signed by its Attorney or an officer on behalf of the corporation.

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

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

The Instrument appointing a proxy shall be lodged, and the Power of Attorney (if any) under which it is signed or a copy certified by a Notary thereof shall if required be deposited for inspection, at the office in each case not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll before the time appointed for the taking of the poll at which the person named in the instrument proposed to vote, and in default the instrument of proxy shall not 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 exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint-holding.

The first joint-holder thereby has 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 the form of proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intend to be authenticated.

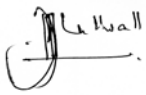
CIRCULAR TO SHAREHOLDERS

Notice is hereby given to the shareholders that the Thirty Sixth (36th) Annual General Meeting of Lanka Milk Foods (CWE) PLC will be held on Wednesday, the 12th September 2018 at the Auditorium of Sri Lanka Foundation Institute at No. 100, Sri Lanka Padanama Mawatha, Independence Square, 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



Ms. H. K. Bulathwatte

Company Secretary
14th August 2018

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 දමිළ භාෂාවෙන් සකසනලද පිටපත් අවශ්‍ය නම්,
ඒ බව ලේකම්, සී.ස. ලංකා මිල්ක් ෆුඩ්ස් (සී.ඩබ්ලිව්.ඊ) පී.එල්.සී., 579/1, වැලිසර, රාගම
යන ලිපිනයට 2018 අගෝස්තු 31 වැනි දිනට ප්‍රථම දන්වන්න.

சிங்களம் அல்லது தமிழ் மொழி பெயர்ப்புகள் உங்களுக்குத் தேவையானால்
தயவு செய்து நிறுவனச் செயலாளர், லங்கா மில்க் புட்ஸ் (சி டபிள்யூ ஈ) பி.எல்.சி,
579/1, வெலிசற, ராகம எனும் முகவரிக்கு கடிதமூலம் 2018 ஓகஸ்ட் 31 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,
579/1, Welisara, Ragama on or before 31st August 2018.

ATTENDANCE SLIP

Lanka Milk Foods (CWE) PLC

PQ 142

Please bring this Attendance Slip and your National identity Card when attending the Annual General Meeting to be held at the Auditorium of Sri Lanka Foundation Institute at No. 100, Sri Lanka Padanama Road, Independence Square, Colombo 07 at 10.00 a. m. on Wednesday, the 12th September 2018.

- Signature of Shareholder :
- Shareholder's Full Name :
- Shareholder's NIC/ Passport Number :
- No. of Shares held and Folio No. :
- Signature of Proxy Holder
(If applicable) :
- Proxy Holder's Full Name :
- Proxy Holder's NIC /Passport Number :

CORPORATE INFORMATION

Name Of The Company	Lanka Milk Foods (CWE) PLC
Legal Form	A Public Company with Limited Liability under the provisions of Companies Act No. 7 of 2007, Quoted in the Colombo Stock Exchange in January 1983
Company Registration Number	PQ 142
Date of Incorporation	12th November 1981
Accounting Year End	31st March
Registered Office	579/1, Welisara, Ragama, Sri Lanka Tel : +9411 2956263-5, +9411 5222600 Fax : +9411 2956266 Email : lakspray@lmfgroup.lk
Subsidiary Companies	Lanka Dairies (Private) Limited Ambewela Livestock Company Limited Pattipola Livestock Company Limited Ambewela Products (Private) Limited Indo Lanka Exports (Private) Limited
Board of Directors	Mr. D. H. S. Jayawardena - Executive Chairman Mr. C. R. Jansz - Executive Director Ms. D. S. C. Jayawardena - Executive Director Mr. D. S. K. Amarasekera - Independent Non-Executive Director Dr. A. Shakthevale - Independent Non-Executive Director Mr. D. Hasitha. S. Jayawardena - Non- Independent Non-Executive Director
Company Secretary	Ms. H. K. Bulathwatte
Auditors	Messrs. KPMG (Chartered Accountants) 32A, Sir Mohamed Macan Markar Mawatha P O Box 186 Colombo 3, Sri Lanka.
Bankers	Bank of Ceylon Hatton National Bank PLC Hong Kong & Shanghai Banking Corporation Ltd Commercial Bank PLC DFCC Bank PLC
Website	www.lmfgroup.lk



www.lmfgroup.lk