



KOTMALE HOLDINGS PLC

ANNUAL REPORT
2013/2014

VISION

To be the leading producer of food and beverage products for the local and international market.

MISSION

Providing the nation with quality and affordable food and beverage products using state of the art technology and local expertise, continuously seeking opportunities for growth and creating an environment that develops, motivates and rewards all employees whilst providing consistent returns to all its stakeholders.

CONTENT

Financial Highlights	02
Chairman's Review	04
Profile of Directors	06
Corporate Governance	08
Audit Committee Report	14
Remuneration Committee Report	15
Risk Management	16

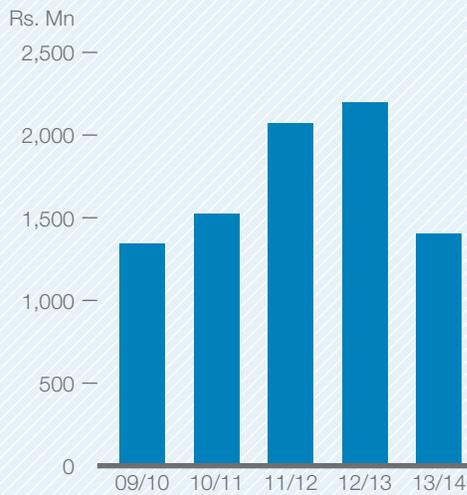
FINANCIAL REPORTS

Annual Report of the Directors on the Affairs of the Company	20
Statement of Directors' Responsibilities	22
Independent Auditors' Report	23
Statement of Comprehensive Income	24
Statement of Financial Position	25
Statement of Changes in Equity	26
Statement of Cash Flow	27
Notes to the Financial Statements	28
Five Year Financial Summary	57
Investor Relations Supplement	58
Notice of Annual General Meeting	60
Proxy Form	63

FINANCIAL HIGHLIGHTS

GROUP	2014 RS. '000	2013 RS. '000	CHANGE %
Operating Results for the Year			
Net revenue	1,422,683	2,205,949	(36)
Profit from operation	79,945	136,643	(41)
Profit before taxation	117,115	152,290	(23)
Profit after taxation	93,374	116,060	(20)
Highlights of Financial Position at the Year End			
Non - current assets	378,791	443,211	(15)
Current assets	853,154	634,564	34
Current liabilities	305,506	259,377	18
Non - current liabilities	46,537	30,019	55
Stated capital and reserves	879,902	788,379	12
Total assets	1,231,945	1,077,775	14
Per Share Data (Rs.)			
Market value per share at the year end	52.00	35.90	45
Earning per share	2.97	3.70	(20)
Net assets per share	28.02	25.11	12
Cash Flow			
Net cash generated from / (used in);			
Operating activities	128,617	300,433	
Investing activities	59,058	(55,247)	
Financing activities	(3,308)	(4,329)	

GROUP NET REVENUE



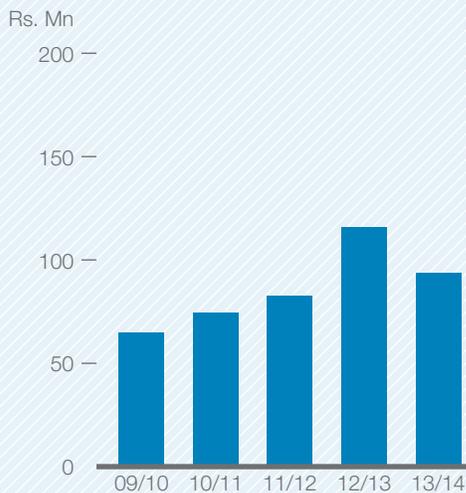
Rs. **1,423** MN

GROUP PROFIT BEFORE TAXATION



Rs. **117** MN

GROUP PROFIT AFTER TAXATION



Rs. **93** MN

GROUP TOTAL ASSETS



Rs. **1,232** MN

CHAIRMAN'S REVIEW

Dear Shareholder,

I am pleased to present on behalf of the Board of Directors of Kotmale Holdings PLC, the Annual Report and Audited Financial Statements for the year ended 31 March 2014.

Industry

The year 2013/14 reported an increasing trend in domestic milk production supported by concerted efforts of the State to promote the dairy sector. Total milk production in the Country reached 319.8 million litres in 2013 a growth of 6.8% from 2012. Consequently the importation of milk powder declined by 16.9% in 2013 in line with the State policy of achieving self-sufficiency in milk. In the year ended the Country imported only 65.9 million kilograms of milk powder compared to the 79.4 million kilograms imported in 2012. This growth was supported by various initiatives such as improvement of chilling facilities, provision of financial assistance to small holders, stable farm gate prices and an overall shift in the market towards the consumption of local fresh milk and milk products.

The Cargills Group has aligned itself with the national goal of achieving self-sufficiency in milk production by 2016 with substantial increases in capacity expansion and a resulting increase in milk procurement from smallholder dairy farmers from our milk shed region.

Backward Integration and Sourcing

Kotmale Holdings PLC collects fresh milk for both its own operations as well as other group Companies within the Cargills Group. The Company is presently the second largest private-sector milk collector in the country with the average daily collection standing

at approximately 50,000 litres. Our network comprises over 9,000 farmers from the Central region of Sri Lanka who directly supply to the Company through 330 collection centres connected to 15 chilling centres spread across the Central Province. In the year concluded our total payments to small holder farmers totaled Rs. 790 million.

Growth Potential and Supply Constraints

The Kotmale brand is enjoying the dividends of the consumer shift from imported powdered milk to local fresh milk which is encouraging for the entire dairy sector. However the trend also presents a substantial constraint in supply. The sector continues to be short of supply particularly in the UHT milk category. This challenge requires a long term action plan and a collaborative effort from the private and public sector to increase animal productivity, build farmer capacities, enhance feed and feed quality while developing the infrastructure to meet the increasing demand. Our parent Company Cargills, having made substantial investments in adding capacity to its dairy sector is now focused on building the supply side towards sustainable growth.

Yoghurt and the newly introduced 'Yoguard', as well as pasteurized and UHT milk categories are successfully marketed under the Kotmale brand name and enjoy wide consumer appeal. The Kotmale cheese wedges product is of high quality and further

strengthens the brand's position in the cheese category.

Performance and Future

As reported previously, consequent to the consolidation of the dairy sector operations within the Cargills Group and capacity constraints, some of the Kotmale branded products are now manufactured at another facility, with a Royalty fee being paid to Kotmale Holdings for use of the brand. As a result, revenue saw a drop of 36 % for the year at Rs. 783 Mn. Other operating income increased to Rs. 56.6 Mn for the year due to the said royalty income. The Group's after tax profit attributable to shareholders was Rs. 93.4 Mn, a decline of 20 % from the previous year.

The success of the 'Kotmale' brand is attributed to the strong distribution network of Cargills both in mass market and modern trade. Further the Kotmale brand building process has been driven by Cargills Group and its strong marketing and promotion strategy that utilizes the strengths of its robust FMCG portfolio. In the year ahead concerted efforts would be made to strengthen the mass-appeal of 'Kotmale' towards wider distribution while remaining focused on further capitalizing on the synergies of the Group through a process of operational consolidation.

Acknowledgement

In conclusion I take this opportunity to commend the employees and management of Kotmale who have continued to deliver above expectation in nurturing and growing the Kotmale brand and its product portfolio. I extend my sincere thanks to the Board of Directors whose leadership and foresight have helped steer Kotmale to be a leading player in the local dairy industry. I thank our business partners in the dairy farming communities as well as our principals, suppliers and financial institutions for their continued support. I also express my gratitude to our shareholders who are set to enjoy the dividends of a continuous process of consolidation and value creation.

(Signed.)

Stuart Young
Chairman

1 August 2014

PROFILE OF DIRECTORS

STUART YOUNG

**CHAIRMAN

Mr. Stuart Young had a 37 year career with the Nestle Group where he held senior management positions in sales, marketing and general management, spanning the four continents of Europe, Australia, Asia and Africa, before becoming Managing Director and CEO of Nestle Lanka in November 2002, from which position he retired in October 2008. He is well known in Sri Lanka where he spends time as an independent business consultant. Mr. Young was appointed Chairman/Director of Kotmale Holdings PLC on 5 January 2011 and is also Chairman/Director of a number of public and private companies within the Cargills Group.

RANJIT PAGE

DEPUTY CHAIRMAN

Mr. Ranjit Page is the Deputy Chairman of Cargills Quality Foods Ltd. (CQF, parent company of KHP), Deputy Chairman and CEO of Cargills (Ceylon) PLC (holding company of CQF) and Deputy Chairman and Managing Director of C T Holdings PLC (holding company of Cargills (Ceylon) PLC). He possesses over 30 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of supermarketing to the Sri Lankan masses. He also serves on the Boards of several other companies.

IMTIAZ ABDUL WAHID

MANAGING DIRECTOR

Mr. M. Imtiaz Abdul Wahid is the Managing Director and Deputy CEO of Cargills (Ceylon) PLC. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK). He has been involved in the operations of Cargills (Ceylon) PLC in an executive capacity at different intervals progressively at higher levels (appointed Director 1997 and Deputy Managing Director in 2001) spanning a period of 27 years, leaving the services of the Company for employment abroad on two occasions in between whereby he also gained valuable exposure holding a number of senior management positions in overseas companies.

P S MATHAVAN

EXECUTIVE DIRECTOR

Mr. Prabhu Mathavan is an Executive Director of Cargills (Ceylon) PLC. He is an Associate Member of the Chartered Institute of Management Accountants (UK) and the Institute of Chartered Accountants of Sri Lanka. He also holds a Bachelors Degree in Commerce. He possesses over 20 years of experience in the fields of Finance, Auditing, Accounting and Taxation. He is presently the Deputy Managing Director/ Chief Financial Officer of Cargills Bank Ltd.

PRIYA EDIRISINGHE***DIRECTOR**

Mr. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants (UK) and holds a Diploma in Commercial Arbitration. He was the Senior Partner of HLB Edirisinghe & Co., Chartered Accountants and currently serves as Consultant / Advisor. He counts over 44 years of experience in both public practice and in the private sector. He serves on the Boards of a number of other listed and non-listed companies, including Cargills (Ceylon) PLC and C T Holdings PLC where he is also Chairman/Member of the respective Audit Committees and a Member of the Remuneration Committees. He is also the Chairman of the Audit Committee and a Member of the Remuneration Committee of Kotmale Holdings PLC.

SUNIL MENDIS***DIRECTOR**

Deshamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and the immediate former Governor of the Central Bank of Sri Lanka. He possesses around 50 years of wide and varied commercial experience most of which has been in very senior positions. He also serves on the Boards of Cargills (Ceylon) PLC and C T Holdings PLC. He is the Chairman of the Remuneration Committees of Cargills (Ceylon) PLC and Kotmale Holdings PLC and is a Member of the Remuneration Committee of CT Holdings PLC.

JOSEPH PAGE****DIRECTOR**

Mr. Joseph Page is the Deputy Chairman/Managing Director of C T Land Development PLC. He is also Executive Director of C T Properties Ltd. Prior to joining C T Land Development PLC he was Executive Director of Millers Ltd. He has over 30 years of management experience in the private sector. He also serves on the Boards of Cargills (Ceylon) PLC and C T Holdings PLC.

* Independent Non Executive

** Non Independent Non Executive

CORPORATE GOVERNANCE

The disclosures below demonstrate the extent to which the principles of good corporate governance are complied with within the Group. Further to the above, the Board of Directors to the best of knowledge and belief is also satisfied that all statutory payments due to the Government, other regulatory institutions, and related to the employees, have been made on time.

Company's adherence to the Corporate Governance Rules as required by Section 7.10 of the Listing Rules of the Colombo Stock Exchange:

CORPORATE GOVERNANCE RULE	COMPLIANCE STATUS	DETAILS
7.10.1 Non-Executive Directors		
(a) The Board of Directors of a Listed Entity shall include at least, <ul style="list-style-type: none"> (i) Two Non-Executive Directors; or (ii) Such number of Non-Executive Directors equivalent to one third of the total number of Directors whichever is higher. 	Complied	Company has 04 Non-Executive Directors and 03 Executive Directors on its Board.
(b) The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.	Complied	The Company had 04 Non- Executive Directors and 03 Executive Directors at the conclusion of the last AGM.
(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Complied	There has not been any period of non compliance as explained above.
7.10.2 Independent Directors		
(a) Where the constitution of the Board of Directors includes only two Non-Executive Directors as mentioned above, both such Non-Executive Directors shall be 'Independent'. In all other instances two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'Independent'.	Complied	02 of 04 (50%) of Non-Executive Directors determined to be Independent.
(b) The Board shall require each Non-Executive Director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	Complied	Each Non-Executive Director has provided a signed and dated declaration of his/her independence or non independence against the criteria laid down in the listing rules.
7.10.3 Disclosures Relating to Directors		
(a) The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director based on such declaration and other information available to the Board and shall set out in the Annual Report the names of Directors determined to be 'Independent.'	Complied	02 of 04 Non-Executive Directors are deemed Independent as per the criteria set.
(b) In the event a Director does not qualify as 'Independent' against any of the criteria set out below but if the Board, taking account all the circumstances, is of the opinion that the Director is nevertheless 'Independent', The Board shall specify the criteria not met and the basis for its determination in the Annual Report.	Complied	02 Non-Executive Directors are deemed Independent by the Board and the criteria not met and the basis for such determination is set out in Note 01 on page 13.

CORPORATE GOVERNANCE CONTD...

CORPORATE GOVERNANCE RULE	COMPLIANCE STATUS	DETAILS
<p>(c) Disclosures The Annual Report should set out the names of Directors (or persons in the parent company's committee in the case of a group company) comprising the Remuneration Committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to Executive and Non-Executive Directors.</p> <p>The term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the Listed Entity (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).</p>	Complied	The Remuneration Committee comprise of 02 Independent Non-Executive Directors as follows; Mr. Sunil Mendis (Chairman) Mr. A T P Edirisinghe
7.10.6 Audit Committee		
<p>A Listed Entity shall have an Audit Committee in conformity with the following:</p> <p>(a) Composition</p> <p>(i) The Audit Committee shall comprise; of a minimum of two Independent Non-Executive Directors (in instances where a Entity has only two Directors on its Board); or</p> <p>(ii) of Non-Executive Directors a majority of whom shall be Independent, whichever shall be higher.</p> <p>In a situation where both the parent company and the subsidiary are 'Listed Entities', the Audit Committee of the parent company may function as the Audit Committee of the subsidiary.</p> <p>However, if the parent company is not a Listed Entity, then the Audit Committee of the parent company is not permitted to act as the Audit Committee of the subsidiary. The subsidiary should have a separate Audit Committee.</p> <p>One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.</p> <p>Unless otherwise determined by the Audit Committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend Audit Committee Meetings.</p> <p>The Chairman or one member of the Committee should be a member of a recognised professional accounting body.</p>	<p>Complied</p> <p>N/A</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>The Audit Committee comprises 02 Independent Non-Executive Directors as follows; Mr. A T P Edirisinghe (Chairman) Mr. Sunil Mendis</p> <p>N/A</p> <p>The Audit Committee has been appointed specific to the Company.</p> <p>The Committee is chaired by Mr. A T P Edirisinghe, a Non- Executive Director.</p> <p>Please refer Audit Committee Report on page 14.</p> <p>The Chairman of the Committee is a Fellow Member of CA Sri Lanka and CIMA (UK).</p>

CORPORATE GOVERNANCE RULE	COMPLIANCE STATUS	DETAILS
<p>(b) Functions Shall include,</p> <ul style="list-style-type: none"> (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs). (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendation to the Board pertaining to appointment, re-appointment and removal of external auditors and to prove the remuneration and terms of engagement of the external auditors. 	<p>Complied</p>	<p>Please refer Audit Committee report on page 14.</p>
<p>(c) Disclosures The names of the Directors (or persons in the Parent Company's committee in the Case of a Group Company) comprising the Audit Committee should be disclosed in the Annual Report.</p> <p>The Committee shall make a determination of the independence of the Auditors and shall disclose the basis for such determination in the Annual Report.</p> <p>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.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer inner back cover.</p> <p>Please refer Audit Committee report on page 14.</p> <p>Please refer Audit Committee report on page 14.</p>

CORPORATE GOVERNANCE RULE	COMPLIANCE STATUS	DETAILS
(xiii) If during the year the Entity has raised funds either through a public issue, right issue, and private placement; (a) A statement as to the manner in which the proceeds of such issue has been utilised. (b) If any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and, (c) Any material change in the use of funds raised through an issue of securities.	N/A	N/A
(xiv) The following information should be disclosed in respect of each employees share ownership or stock option scheme. - Total number of shares allotted during the financial year - Price at which shares were allotted - Highest, lowest and closing price of the share recorded during the financial year - Details of funding granted to employees (if any)	N/A	N/A
(xv) Disclosures pertaining to corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules.	Complied	Please refer disclosures in terms of Section 7.10 on page 08 to 13.
(xvi) Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower. Details of investments in a related party and/or amounts due from a related party to be set out separately. The details shall include, as a minimum: (a) The date of transaction; (b) The name of the related party; (c) The relationship between the Entity and the related party; (d) The amount of the transaction and terms of the transaction; (e) The rationale for entering into the transaction.	Complied	Please refer Note 28 (d) on page 51.

Note 01

Based on the declarations provided by the Non-Executive Directors, the Board has decided the following Directors as Independent:

Mr. A T P Edirisinghe

Mr. Sunil Mendis

Who, in spite of being Directors of C T Holdings PLC (the ultimate parent company) and Cargills (Ceylon) PLC (Which is the sole owner of Cargills Quality Foods Ltd.; Holding Company of KHP), the Board has nevertheless determined to be Independent considering their credentials and integrity.

Note 02

Complied to the extent that the Company has made the required disclosure to the CSE/SEC where the public holding falls below the requirement specified in Rule 7.13 and has commenced discussions with the CSE/SEC in this regard.

AUDIT COMMITTEE REPORT

The Audit Committee is appointed by the Board of Directors of the Company and reports directly to the Board. The Audit Committee comprises two members who are Non-Executive Directors who are deemed independent. The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. The composition of the members of the Audit Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies.

The Members of the Audit Committee:

Name / Independence

A. T. P. Edirisinghe FCMA, FCA - Chairman
Independent
Mr. Sunil Mendis - Independent

The procedure in place is for the Group Financial Controller (GFC) to attend all meetings when scheduled and for the Managing Director to attend Audit Committee Meetings as and when requested to do so by the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

The oversight function of (a) the preparation, presentation and adequacy of disclosures in the quarterly and annual financial statements of the Company, in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs) and (b) the Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements, was duly performed and the Audit Committee reviewed and discussed the year-end financial statements and recommended their adoption to the Board, whilst this was done on circulation at quarter-ends. In all instances, the Audit Committee obtained a declaration from the GFC stating that the respective financial statements are

in conformity with the applicable accounting standards, company law and other statutes including corporate governance rules and that the presentation of such financial statements are consistent with those of the previous quarter or year as the case may be, and further reports any departures from financial reporting, statutory requirements and Group policies (if any). Quarterly Compliance Certificates are also obtained from the finance, legal, and secretarial divisions of the Company on a standardised exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance.

The oversight function over the processes to ensure that the Company's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards was reviewed covering (a) the business risk management processes and procedures adopted by the Company, to manage and mitigate the effects of such risks and measures taken to minimise the impact of such risks, (b) the internal audit plan and monitoring the performance of the internal audit department and adherence to the internal audit plan and (c) the internal audit reports and monitoring follow up action by the management. The Audit Committee assessed the independence and performance of the Company's external auditors and made recommendations to the Board pertaining to appointment/ re-appointment. The Audit Committee also reviewed the audit fees for the Company and approved the remuneration and terms of engagement of the external auditors and made recommendations to the Board. When doing so, the Audit Committee reviewed the type and quantum of non-audit services (if any) provided by the external auditors to the Company to ensure that their independence as Auditors has not been impaired. The Audit

Committee obtains an 'Auditor's Statement' from Messrs. KPMG confirming independence as required by Section 163 (3) of the Companies Act No.07 of 2007 on the audit of the statement of financial position and the related statement of comprehensive income, and statement cash flows of the Company and the Cargills Group.

The Audit Committee has recommended to the Board that Messrs KPMG, Chartered Accountants, be continued as external auditors of the Company for the financial year ending 31 March 2015.

(Signed,)

A.T.P. Edirisinghe FCMA, FCA
Chairman – Audit Committee

1 August 2014

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of Kotmale Holdings PLC consists of two Non – Executive Directors – Messrs. Sunil Mendis (Chairman) and A.T.P. Edirisinghe. The Deputy Chairman and the Managing Director may also be invited to join in the deliberations as required.

The Committee studies and recommends the remuneration and perquisites applicable to the Executive Directors of the Company and makes appropriate recommendations to the Board of Directors of the Company for approval.

The Committee also carries out periodic reviews to ensure that the remunerations are in line with market conditions.

(Signed.)

Sunil Mendis

Chairman – Remuneration Committee

1 August 2014

RISK MANAGEMENT

Introduction

Risk management is a pivotal factor of Kotmale Holdings PLC businesses and is an essential component of its operations. It is of paramount importance in safeguarding the interest of all stakeholders. To keep risk management at the centre of the executive agenda, it is embedded in the everyday management of the business.

The management considers each business risk in the context of the Group strategy by identifying the potential upside and downside to the Group businesses. Any identified downside is subject to mitigating measures and any upside is fully made use of to strengthen the competitive position of the Group. Considering the current situation of the Group businesses, future business plans as well as the economic prospects of the country, the Group has addressed the risk management as a vital cog within the Group's financial stability imperatives. Risks and methodology of mitigation are presented here in the areas of business (operation), financial reporting and compliance with applicable laws and regulations.

Administrative Support For Risk Management

Centralised functions of Kotmale Holdings PLC group being part of CT Holdings PLC group and Cargills (Ceylon) PLC group, the Board, as the focal point in managing the business, has been vested with the final responsibility of managing the risks that the Group encounters. A corporate management committee (CMC) established at parent company level has been set up to assist the Board to execute this responsibility. The CMC with the help of the senior management of Kotmale Holdings PLC group decides the risk profile of the Group. It also evaluates the

business proposals in view of the existing risk appetite and keeps the Board informed of the suitability of the business proposals in risk perspective. The CMC reviews the operational issues tabled in the monthly meetings to identify the key risks faced by the Group including their impact, likelihood and the controls and procedures implemented to mitigate these risks. The Board is required to take decisions that would increase the intrinsic value of the Group in terms of investing in capital assets which would enhance its future earnings capacity. In this perspective the tolerable risk levels are defined by the CMC provided those investments show commercial justification, striking a balance between risk and return. In addition, the Management Letter issued by external auditors is reviewed by the CMC which will direct to the Board Audit Committee for their perusal. Any material findings adversely effecting the smooth operation of the business are addressed in detail and corrective actions taken.

Legal Function

The Group obtains the service of the centralised legal department established at parent company level to ensure that the Group complies with laws and regulations. The department reports on a monthly basis to the Board verifying compliance with laws and regulations. All legal agreements are thoroughly scrutinised by competent legal officers while the Company Secretary ensures compliance with the Companies Act. Potential negative impacts on the business are assessed and necessary action plans are formulated to mitigate the risks to the business resulting from laws and regulations. The opinion of the tax consultants pertaining to all tax matters is considered and necessary steps are taken to ensure statutory requirements are fully complied with.

Financial Reporting Function

Documentation and reporting also plays a key role in managing risk. The financial reporting division has been set up to ensure all financial reporting aspects are addressed. The division co-ordinates with relevant authorities and institutions. The Board, Audit Committee reviews reports of all financial and related information and disseminate such data.

Internal Controls and Internal Audit Function

The Group has put in place a system of internal control to assist in achieving the management's objective of ensuring orderly and efficient conduct of business, safeguarding of assets, the prevention and detection of fraud and error, timely preparation of reliable financial information, and compliance with relevant laws and regulations. This function would primarily look into matters such as monitoring of internal control, examination of financial and operating information, review of the efficiency and effectiveness of the operation, and review compliance with legal and regulatory requirements.

RISK	MITIGATING ACTIONS
Business risk	
<p>The business risk management is a dynamic process due to the constant change and complexity in the operating environment of the Group. The business operations of the Group and performance are subject to a variety of risk factors.</p> <p>The dairy business is operating in a competitive environment and this could erode the margin on sales and thereby exert additional pressures to meet planned objectives.</p> <p>Failure in either of the above main areas could have an adverse effect on the Group's financial results.</p>	<p>Management constantly monitors and evaluates risk factors in order to respond effectively. The manufacturing facilities are maintained according to food manufacturing standards.</p> <p>The Group ensures that products are priced competitively in the market to maintain the market leadership position while ensuring comfortable margins are earned by controlling input cost effectively.</p> <p>The Group's aim is to have a broad appeal in price and range so that the Group can compete effectively in different markets. The Group monitors performance against a range of measures which customers tell us are critical to their consumption and we constantly monitor customer perceptions of us and our rivals to ensure we respond as quickly as needed.</p>
Reputational risk	
<p>Failure to protect the Group's reputation and brand could lead to a loss of trust and confidence. This could result in an erosion of the customer base and affect the ability to recruit and retain high-caliber people.</p>	<p>Loyalty to the Kotmale brand has helped in development of business over the period. We recognise the commercial imperative to safeguard the interests of all our stakeholders and avoid the loss of such loyalty. We engage with stakeholders in every sphere to take into account their views, and endeavour to develop strategy that reflects their interests. We try to ensure that our strategy reflects those interests.</p>
Product safety	
<p>The safety and quality of our products is of paramount importance to Kotmale as well as being essential to maintenance of our customer trust and confidence. A breach in confidence could shrink our customer base and hence our financial results.</p>	<p>The Group has detailed and established procedures for ensuring product integrity at all times. There are strict product safety processes in place. The Group works in partnership with suppliers to ensure mutual understanding of the standards required, and also monitor developments in areas such as health, safety and nutrition in order to respond appropriately to changing customer trends and new legislation.</p>
Health and safety risks	
<p>Provision of adequate safety for our staff and customers is of the utmost importance to us as the inability to provide such facilities would result in injuries or loss of life that cannot be measured in financial terms.</p>	<p>The Group operates stringent health and safety processes in line with best practices in manufacturing facilities and offices, which are monitored and audited regularly.</p>
IT systems and infrastructure	
<p>The business is dependent on efficient information technology (IT) systems.</p>	<p>The Group recognises the essential role that IT plays across our operations in allowing us to trade efficiently through the implementation of effective IT solutions. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and to ensure consistency of delivery, and all relevant staff are effectively engaged to mitigate IT related risks through effective policy and procedures as well as increased awareness.</p>

RISK MANAGEMENT CONTD...

RISK	MITIGATING ACTIONS
Regulatory and political environment	
Due to the diverse nature of the businesses, we are subject to a wide variety of regulations prevailing in the country.	Uncertainties in the external environment are considered when developing strategies and reviewing performance. We remain vigilant about future changes. As part of our day-to-day operations we engage with government and non-government organisations to ensure the views of our customers and employees are represented and try to anticipate and contribute to important changes in public policy whenever possible.
Funding and liquidity	
The Group finances its operations by a combination of retained earnings and via long term and short term borrowings.	The Group maintains a portfolio of banking institutions to cater to all funding requirements and to obtain them on favorable terms. A healthy relationship with the bankers makes borrowing at comparatively short notice more feasible.
Interest rate risk	
The Group needs to limit its exposure to increases in interest rates while retaining the opportunity to exploit interest rate reductions.	The Group manages interest rate fluctuations with an appropriate mix of fixed and variable rate debts through a centralised treasury management function, where appropriate.
Credit risk	
The Group is exposed to credit risk by the nature of the business. There would be an adverse impact on the liquidity position as a result of payment delays and non-payment by debtors.	The Group is committed to neutralise the risk through a rigorous process of credit management. The Group has effective follow up and collection practices and strictly adheres to business specific credit policies.
Foreign exchange rate risk	
The Group exposure to this risk is minimal as we do not have much in the nature of foreign business activities. However, we are faced with this risk on import of raw material, plant, machinery and equipment.	The Group manages foreign exchange exposure through appropriate financial risk management techniques.

KOTMALE HOLDINGS PLC

Financial Reports

Annual Report of the Directors on the Affairs of the Company	20
Statement of Directors' Responsibilities	22
Independent Auditors' Report	23
Statement of Comprehensive Income	24
Statement of Financial Position	25
Statement of Changes in Equity	26
Statement of Cash Flow	27
Notes to the Financial Statements	28

ANNUAL REPORT OF THE DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors are pleased to submit the Annual Report together with the Audited Financial Statements of Kotmale Holdings PLC and consolidated audited financial statements of the Group for the year ended 31 March 2014.

Review of the year

The Chairman's Review describes in brief the Group's affairs, performance and important events of the year.

Activities

The principal activities of the Group are the manufacturing and distribution of dairy products.

Financial statements

The Audited Financial Statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statements of Changes in Equity, Statement of Cash Flow and Notes to the Financial Statements of the Company and the Group for the financial year ended 31 March 2014 are given on pages 24 to 56 forming an integral part of the Annual Report of the Board.

Auditors' report

The auditors' report is set out on page 23.

Accounting policies

The accounting policies adopted in the preparation of the financial statements are given on pages 28 to 35. There were no significant changes to the accounting policies of the Group during the year.

Dividends

Company has not paid / declared dividends for the year ended 31 March 2014 (2013 - Nil)

Reserves

The total reserves of the Group stands at Rs. 566 Mn. (2013 - Rs. 474 Mn.), while the total reserves of the Company stand at Rs. (28) Mn. (2013 - Rs. (69) Mn).

Stated capital

Stated capital of the Company as at 31 March 2014 was Rs. 314 Mn. (2013 Rs. 314 Mn)
The details of the stated capital is given in note 17 to the financial statements on page 44.

Capital expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 111 Mn (2013 - 30 Mn) while no capital expenditure was incurred by the Company during the year (2013 - Nil). Details are given in note 10 to the financial statements on page 40.

The movement of property, plant and equipment during the year is given in note 10 to the financial statements on page 40.

Market value of properties

The Group land and buildings were revalued as at 31 March 2013. Details are given in note 10 (f) to the financial statements on pages 41.

The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties.

Shareholdings

The Company is a subsidiary of C T Holdings PLC and there were 1,372 of registered share holders as at 31 March 2014 (2013 - 1723).

An analysis of shareholdings according to the size of holding and the names of the 20 largest shareholders is given on pages 58 and 59.

Directorate

The Directors listed on the inner back cover have been Directors of the Company throughout the year under review.

Mr. M S J Fernando (Executive Director/ CEO) resigned from the Group w.e.f 30 June 2013.

Mr. J. C. Page retires by rotation in terms of the Company's Articles of Association and being eligible offer themselves for re-election.

Mr. Sunil Mendis too retires in terms of Section 210 (2) (b) of the Companies Act No. 7 of 2007 having attained the age of seventy years and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 7 of 2007.

The re-election of the retiring Directors has the unanimous support of the other Directors.

Directors' remuneration

The remuneration of the Directors is given in note 28 (a) on page 50 to the consolidated financial statements.

Directors' interests in contracts

The Directors' interests in contracts and proposed contracts with the Company are included in note 28 (c) to the financial statements on page 50. The Directors have declared their interests at meetings of the Board. The Directors have had no direct or indirect interest in any other contracts in relation to the business of the Company.

Interest register

The Company maintains an Interest Register conforming to the Provisions of the Companies Act No. 7 of 2007.

Director's shareholding

The Director's shareholdings in the Company were as follows:

NUMBER OF SHARES AS AT 31 MARCH	2014	2013
Mr. Stuart Young	Nil	Nil
Mr. V R Page	Nil	Nil
Mr. M I Abdul Wahid	Nil	3,000
Mr. P S Mathavan	Nil	281,800
Mr. A T P Edirisinghe	1,000	1,000
Mr. Sunil Mendis	Nil	Nil
Mr. J C Page	1,000	1,000

Donations

During the year no donations (2013 - Rs. Nil) had been made by the Company.

Auditors

Messrs KPMG, Chartered Accountants are deemed reappointed as auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 7 of 2007. The Directors have been authorised to determine the remuneration of the Auditors and fees paid to auditors are disclosed in note 6 to the financial statements. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company or any of its Subsidiaries other than those disclosed in the above note.

Events after the reporting period

Events after the reporting period of the Company are given in note 27 to the financial statements on page 49.

Statutory payments

All statutory payments due to the Government of Sri Lanka and on behalf of employees have been made or accrued for the reporting date.

Future developments

The Chairman's Review describes the future developments of the Group.

Environmental protection

After making adequate enquiries from the Management, the Directors are satisfied that the Company and its subsidiaries operate in a manner that minimises the detrimental effect on the environment and provide products and services that have a beneficial effect on the customers and the communities within which the Group operates.

Going concern

The Directors have adopted the going concern basis in preparing these financial statements. After making enquiries from the management, the Directors are satisfied that the Group has adequate resources to continue its operations in the foreseeable future.

For and on behalf of the Board;

(Signed)

V R Page

Deputy Chairman

(Signed)

M I Abdul Wahid

Managing Director

(Signed)

S L W Dissanayake

Company Secretary

1 August 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act No. 7 of 2007 places the responsibility on the Directors to prepare and present financial statements for each year comprising a statement of financial position as at year end date and statement of comprehensive income, statement of cash flow and statement of changes in equity for the year together with the accounting policies and explanatory notes. The responsibility of the auditors with regard to these financial statements, which differ from that of the Directors, is set out in the Auditors' report on page 23.

Considering the present financial position of the Company and the Group and the forecasts for the next year, the Directors have adopted the going concern basis for the preparation of these financial statements.

The Directors confirm that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs), which have been consistently applied and supported, by reasonable and prudent judgments and estimates.

The Directors are responsible for ensuring that the Company maintains adequate accounting records to be able to disclose with reasonable accuracy, the financial position of the Company and the Group and for ensuring that the financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) and provides the information required by the Companies Act.

The Directors are responsible for the proper management of the resources of the Company. The internal control system has been designed and implemented to obtain reasonable but not absolute assurance that the Company is protected from undue risks, frauds and other irregularities. The Directors are satisfied that the control procedures operated effectively during the year.

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made up to date or have been provided for in these financial statements.

By order of the Board

(Signed,)

S L W Dissanayake
Company Secretary

1 August 2014

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
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF KOTMALE HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Kotmale Holdings 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 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 24 to 56 of the annual report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion - Company

In our opinion, so far as appears from our examination, the Company maintained proper

accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31 March 2014, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion – Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31 March 2014 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 153(2) to 153(7) of the Companies Act No. 07 of 2007.

(Signed.)

Chartered Accountants

Colombo

1 August 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH	NOTE	GROUP		COMPANY	
		2014 RS.	2013 RS.	2014 RS.	2013 RS.
Revenue	2	1,422,683,089	2,205,949,375	-	-
Cost of sales	3	(1,122,421,111)	(1,785,352,110)	-	-
Gross profit		300,261,978	420,597,265	-	-
Amortisation of grant		-	477,696	-	-
Other income	4	56,592,494	5,211,796	51,148,484	5,050,699
Distribution expenses		(194,851,154)	(208,735,744)	-	-
Administrative expenses		(82,058,021)	(80,907,632)	(1,674,136)	(2,573,603)
Result from operating activities		79,945,297	136,643,381	49,474,348	2,477,096
Net finance income	5	37,170,120	15,646,545	39,451	39,298
Profit before taxation	6	117,115,417	152,289,926	49,513,799	2,516,394
Tax expense	7	(23,741,043)	(36,229,835)	(8,597,974)	(926,916)
Profit for the year		93,374,374	116,060,091	40,915,825	1,589,478
Other comprehensive income					
Revaluation of land and building		-	47,800,000	-	-
Actuarial losses on employee benefits		(2,571,393)	-	-	-
Tax on other comprehensive income		719,990	(5,544,000)	-	-
Other comprehensive income / (loss) for the year, net of tax		(1,851,403)	42,256,000	-	-
Total comprehensive income for the year		91,522,971	158,316,091	40,915,825	1,589,478
Earnings per share - basic / diluted (Rs.)	8	2.97	3.70	1.30	0.05
Dividend per share (Rs.)	9	-	-	-	-

The accounting policies and notes from pages 28 to 56 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH	NOTE	GROUP		COMPANY	
		2014 RS.	2013 RS.	2014 RS.	2013 RS.
ASSETS					
Non-current assets					
Property, plant and equipment	10	322,927,598	387,347,720	-	-
Intangible assets	11	55,863,274	55,863,274	-	-
Investments in subsidiaries	12	-	-	185,400,000	185,400,000
		378,790,872	443,210,994	185,400,000	185,400,000
Current assets					
Inventories	13	86,361,073	99,595,850	-	-
Trade and other receivables	14	104,087,807	131,055,702	4,455	4,224
Amounts due from related companies	15	125,644,626	51,128,813	117,576,086	62,388,510
Short term investments		503,450,653	326,000,000	-	-
Cash at banks and in hand	16	33,609,864	26,783,707	1,577,271	1,442,275
		853,154,023	634,564,072	119,157,812	63,835,009
Total assets		1,231,944,895	1,077,775,066	304,557,812	249,235,009
EQUITY					
Stated capital	17	314,000,000	314,000,000	314,000,000	314,000,000
Reserves	18	94,583,431	94,583,431	3,054,017	3,054,017
Retained earnings		471,318,745	379,795,774	(31,163,770)	(72,079,595)
Total equity		879,902,176	788,379,205	285,890,247	244,974,422
LIABILITIES					
Non-current liabilities					
Deferred income	19	-	-	-	-
Deferred tax liabilities	20	30,816,155	16,187,010	-	-
Borrowings	21	-	421,588	-	-
Employee benefits	22	15,720,724	13,409,996	-	-
		46,536,879	30,018,594	-	-
Current liabilities					
Trade and other payables	23	228,224,309	220,639,703	10,305,380	3,252,425
Amounts due to related companies	15	47,970,305	4,025,755	-	-
Current tax liabilities		28,889,638	31,313,791	8,362,185	926,916
Borrowings	21	421,588	3,307,772	-	-
Bank overdrafts	16	-	90,246	-	81,246
		305,505,840	259,377,267	18,667,565	4,260,587
Total liabilities		352,042,719	289,395,861	18,667,565	4,260,587
Total equity and liabilities		1,231,944,895	1,077,775,066	304,557,812	249,235,009

The accounting policies and notes from pages 28 to 56 form an integral part of these financial statements.

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

(Signed)

A. Vageesan

Group Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Signed for and on behalf of the Board of Directors:

(Signed)

V R Page

Deputy Chairman

(Signed)

M I Abdul Wahid

Managing Director

1 August 2014

Colombo

STATEMENT OF CHANGES IN EQUITY

	STATED CAPITAL RS.	CAPITAL RESERVES RS.	REVALUATION RESERVE RS.	GENERAL RESERVE RS.	RETAINED EARNINGS RS.	TOTAL RS.
GROUP						
Balance as at 1 April 2012	314,000,000	1,784,545	49,273,414	1,269,472	263,735,683	630,063,114
Total comprehensive income for the year						
Profit for the year	-	-	-	-	116,060,091	116,060,091
Other comprehensive income	-	-	42,256,000	-	-	42,256,000
Total comprehensive income for the year	-	-	42,256,000	-	116,060,091	158,316,091
Transactions with owners, recognised directly in equity						
Dividends	-	-	-	-	-	-
Balance as at 31 March 2013	314,000,000	1,784,545	91,529,414	1,269,472	379,795,774	788,379,205
Balance as at 1 April 2013	314,000,000	1,784,545	91,529,414	1,269,472	379,795,774	788,379,205
Total comprehensive income for the year						
Profit for the year	-	-	-	-	93,374,374	93,374,374
Other comprehensive income	-	-	-	-	(1,851,403)	(1,851,403)
Total comprehensive income for the year	-	-	-	-	91,522,971	91,522,971
Transactions with owners, recognised directly in equity						
Dividends	-	-	-	-	-	-
Balance as at 31 March 2014	314,000,000	1,784,545	91,529,414	1,269,472	471,318,745	879,902,176
COMPANY						
Balance as at 1 April 2012	314,000,000	1,784,545	-	1,269,472	(73,669,073)	243,384,944
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,589,478	1,589,478
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	1,589,478	1,589,478
Transactions with owners of the Company, recognised directly in equity						
Dividends	-	-	-	-	-	-
Balance as at 31 March 2013	314,000,000	1,784,545	-	1,269,472	(72,079,595)	244,974,422
Balance as at 1 April 2013	314,000,000	1,784,545	-	1,269,472	(72,079,595)	244,974,422
Total comprehensive income for the year						
Profit for the year	-	-	-	-	40,915,825	40,915,825
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	40,915,825	40,915,825
Transactions with owners of the Company, recognised directly in equity						
Dividends	-	-	-	-	-	-
Balance as at 31 March 2014	314,000,000	1,784,545	-	1,269,472	(31,163,770)	285,890,247

The accounting policies and notes from pages 28 to 56 form an integral part of these financial statements.

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH	NOTE	GROUP		COMPANY	
		2014 RS.	2013 RS.	2014 RS.	2013 RS.
Cash flows from operating activities					
Profit before taxation		117,115,417	152,289,926	49,513,799	2,516,394
Adjustments for :					
Amortisation of grant		-	(477,696)	-	-
Depreciation	10	43,233,954	34,718,680	-	-
Employee benefits	22	3,447,293	1,461,117	-	-
Net finance income	5	(37,170,120)	(15,646,545)	(39,451)	(39,298)
Inventory write-off		3,105,925	-	-	-
Reversal of provision for inventories		-	(5,600,368)	-	-
Provision for trade and other receivables		3,940,000	14,409,358	-	-
Operating profit before working capital changes		133,672,469	181,154,472	49,474,348	2,477,096
Changes in working capital					
(Increase) / Decrease in inventories		10,128,852	44,800,646	-	-
(Increase) / Decrease in trade and other receivables		17,422,558	42,805,764	(4,456)	(4,225)
(Increase) / Decrease in related company receivables		(74,515,813)	(21,934,948)	(55,187,576)	(3,475,712)
Increase / (Decrease) in trade and other payables		7,584,606	69,100,574	7,052,955	1,017,482
Increase / (Decrease) in related company payables		43,944,550	(5,311,983)	-	-
Cash generated from operations		138,237,222	310,614,525	1,335,271	14,641
Interest paid	5.2	(701,943)	(1,985,092)	(5,100)	(2,950)
Gratuity paid	22	(3,707,958)	(1,127,153)	-	-
Tax paid		(5,210,724)	(7,069,459)	(1,158,480)	(3,364)
Net cash generated from operating activities		128,616,597	300,432,821	171,691	8,327
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(30,065,525)	(91,072,515)	-	-
Proceeds from sale of property, plant and equipment	10	51,251,693	18,194,310	-	-
Interest income	5.1	37,872,063	17,631,637	44,551	42,248
Net cash generated from / (used in) investing activities		59,058,231	(55,246,568)	44,551	42,248
Cash flows from financing activities					
Repayment of long term borrowings	21 (a)	(3,307,772)	(4,329,139)	-	-
Net cash used in financing activities		(3,307,772)	(4,329,139)	-	-
Net increase in cash and cash equivalents		184,367,056	240,857,114	216,242	50,575
Movement in cash and cash equivalents					
At the beginning of the year		352,693,461	111,836,347	1,361,029	1,310,454
Movement during the year		184,367,056	240,857,114	216,242	50,575
At the end of the year	16 (b)	537,060,517	352,693,461	1,577,271	1,361,029

The accounting policies and notes from pages 28 to 56 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1.1 Reporting entity

Kotmale Holdings PLC, formerly known as Lambretta (Ceylon) Ltd., is a company incorporated and operating in Sri Lanka since 6 January 1967 as a Quoted Public Company listed with the Colombo Stock Exchange in 1969. The registered office of the Company is located at No. 40, York Street, Colombo 01.

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

1.1.1 Principal activities and nature of operations

Kotmale Holdings PLC became the holding Company of the Group during the financial year ended 31 December 2003. The principal activities of the Subsidiaries are to engage in the manufacturing and distributing dairy products under the brand name of KOTMALE.

Kotmale Products Ltd., and Kotmale Milk Foods Ltd., are fully owned subsidiaries of Kotmale Holdings PLC. Following companies which are fully owned subsidiaries of Kotmale Products Ltd., have also been included in these consolidated financial statements.

- Kotmale Dairy Products (Pvt) Ltd.
- Kotmale Milk Products Ltd.
- Kotmale Kiri (Pvt) Ltd.
- Kotmale Marketing (Pvt) Ltd.

Kotmale Milk products Ltd., Kotmale Milk Foods Ltd., Kotmale Marketing (Pvt) Ltd., and Kotmale Kiri (Pvt) Ltd., have ceased operations and are in the process of being liquidated.

All the companies in the Group have a common financial year, which ends on 31 March.

1.2 Basis of preparation

1.2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs/ LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

The Financial Statements were authorised for issue by the Board of Directors on 1 August 2014.

1.2.2 Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for defined benefit obligations are measured at its present value, based on an actuarial valuation.

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading.

1.2.3 Functional and presentation currency

These consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency. All financial information presented in Rupees (Rs.), unless stated otherwise.

1.2.4 Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with SLFRSs/ LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in notes;

Note 7.1 - utilisation of tax losses
Note 22 - measurement of defined benefit obligations

1.3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

1.3.1 Basis of consolidation

1.3.1.1 Business combinations

The Consolidated Financial Statements (referred to as the "Group") comprise the Financial Statements of the Company and its subsidiaries.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions/events in similar circumstances and where necessary, appropriate adjustments have been made in the Consolidated Financial Statements.

1.3.1.2 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that

are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases.

1.3.1.3 Acquisitions of entities under common control

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the Group's share of the identifiable net assets acquired is recorded as Goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

1.3.1.4 Transactions eliminated on consolidation

Inter group balances and transactions and any unrealised income and expenses arising from inter group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

1.5 Assets and the bases of their valuation

1.5.1 Property, plant and equipment

1.5.1.1 Recognition and Measurement

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Carrying amounts of property plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently revalued, any increases in the carrying amount is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve statement of equity, any excess and all other decreases are charged to the profit or loss. Revaluation of property, plant and equipment are undertaken by professionally qualified independent valuers.

1.5.1.2 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS CONTD...

1.5.1.3 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is included in the profit or loss in the year the assets are derecognised.

1.5.1.4 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives and rates of depreciation for the current and comparative periods are as follows:

	YEARS
Freehold buildings	20-40
Plant, machinery and equipment	5-10
Office furniture, fittings and equipment	4-8
Air condition and refrigeration	5 -10
Computer and accessories	4
Motor vehicles	4

Improvements of leasehold buildings and buildings constructed on leasehold land are amortised over the lower of their economic useful lives or unexpired period of lease.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

1.5.1.5 Capital work in progress

Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work-in-progress whilst, the capital assets which have been completed during the year and put to use have been transferred to property, plant and equipment.

1.5.2 Intangible assets

An intangible asset is recognised if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

1.5.2.1 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstance indicate that it might be impaired; and carried at costs less accumulated impairment losses. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that

are expected to benefit from the business combination in which the goodwill arose.

1.5.3 Financial instruments

1.5.3.1 Financial assets

1.5.3.1.1 Initial recognition and measurement
Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short term deposits, trade and other receivables, loans and other receivables, unquoted equity instruments and derivative financial instruments.

1.5.3.1.2 Derecognition

The Group derecognised financial asset when:

- The right to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either.
- The entity has transferred substantially all the risks and rewards of the asset, or

- The entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset transferred and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of comprehensive income.

1.5.3.2 Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

1.5.3.3 Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group became a party to the contractual provisions of the instrument.

The Group derecognises 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 on the financial asset in a transaction in which substantially

all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and 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 on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

1.5.3.4.1 Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of comprehensive income.

During the Financial year the Group has not designated any financial assets as fair value through profit or loss.

1.5.3.4.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income.

The Group considers impairment of trade receivables at both a specific significant individual debtor level and collectively. Any Group company which has any individually significant debtors assesses them for specific impairment. All individually insignificant debtors that are not specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together assets with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and adjusted for the management's judgment. The carrying amount of the trade receivables is reduced through the use of the bad debt provision account and the amount of the loss is recognised in the profit or loss. If there is no realistic prospect of future recovery of a debt, the amount is written off.

An impairment loss in respect of other financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at

NOTES TO THE FINANCIAL STATEMENTS CONTD...

the current market rate of return for a similar financial asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

1.5.3.4.3 Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

During the financial year the Group has not designated any financial assets as held-to-maturity investments.

1.5.3.4.4 Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated as fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be

impaired, at which time the cumulative loss is reclassified to the statement of comprehensive income in finance costs and removed from the available-for-sale reserve.

During the financial year the Group has not designated any financial assets as available-for-sale financial investments.

1.5.4 Financial Liabilities

1.5.4.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, transaction costs that are directly attributable to the acquisition or issue of such financial liability.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and financial guarantee contracts.

1.5.4.2 Subsequent measurement

1.5.4.2.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39.

Gains or losses on liabilities held for trading are recognised in the Statement of Comprehensive Income.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

1.5.4.2.2 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

1.5.4.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

1.5.4.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.5.5 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business less estimated cost of realisation and

/ or cost of conversion from their existing state to saleable condition.

The cost of each category of inventory of the Group is determined on the following basis.

- Raw materials - Actual cost on a First In First Out (FIFO) basis
- Finished Goods and work in progress - Directly attributable manufacturing cost
- Merchandising goods - Actual cost on a First In, First Out (FIFO) basis
- Other inventories - Actual cost

1.5.6 Short term investment

Short term investments consist of investment in re-purchase agreements and call deposits.

1.5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits, and short term highly liquid investments in money market which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the statement of cash flows.

1.5.8 Equity and liabilities

1.5.8.1 Stated capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.5.9 Post employment benefits

1.5.9.1 Defined benefit plan - retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of defined benefit obligation as at the reporting date. Benefits falling due more than 12 months

after the reporting date are discounted to present value. The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS 19 - "Employees Benefits".

Any actuarial gains or losses arising are recognised immediately in other comprehensive income. This was previously recognised in the income statement.

The assumptions based on which the results of the actuarial valuation was determined, are included in note 22 to the financial statements.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Group.

1.5.9.2 Defined contribution plans – employees' provident fund and employee trust fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The employer's contribution to the defined contribution plans are recognised as an expense in the Statement of Comprehensive Income when incurred.

All the employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in accordance with the respective statutes and regulations. Group contributes 15% and 3% of gross emoluments of employees to the Employees' Provident Fund and Employees' Trust Fund, respectively.

1.5.10 Provisions, contingent assets and contingent liabilities

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

All contingent liabilities are disclosed, as notes to the financial statements unless the outflow of resources is remote.

Contingent assets if exist, are disclosed, when inflow of economic benefit is probable.

1.6 Statement of comprehensive income

1.6.1 Revenue

The revenue of the Company and Group represents invoiced value of goods to customers other than to companies within the Group, net of discounts and returns.

1.6.1.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group/Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes. The following specific recognition criteria must also be met before revenue is recognised.

1.6.2 Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

NOTES TO THE FINANCIAL STATEMENTS CONTD...

1.6.3 Other income

Dividend Income is recognised when the Group's right to receive the payment is established.

Gains or losses of revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments, are accounted for in the income statement, after deducting from the net sales proceeds on disposal the carrying amount of such assets.

Foreign currency gains and losses are reported on a net basis.

Income from scrap sales are recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

1.6.4 Expenditure recognition

1.6.4.1 Expenditure

Expenses are recognised in the Statement of Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenses incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Comprehensive Income.

1.6.4.2 Allowance for doubtful debts

The Group assesses at the reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

1.6.4.3 Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

1.6.4.4 Net finance cost

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

1.6.4.5 Taxation

1.6.4.5.1 Current taxation

The provision for income tax on Sri Lankan operation is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act.

1.6.4.5.2 Deferred taxation

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses / credits can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

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

1.7 Related party transaction

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 or not.

The relevant details are disclosed in the respective notes to the Financial Statements.

1.8 Statement of cash flow

Interest received and dividends received are classified as investing cash flows, while dividend paid is classified as financing cash flows for the purpose of presentation of Statement of Cash Flows which has been prepared using the 'Indirect Method'.

1.9 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group/Company by the weighted average number of shares outstanding during the period.

1.10 Events occurring after the reporting period

Events after the reporting period are those events favorable and unfavorable that occurs between the end of the reporting period and the date when the financial statements are authorised for issue.

The materiality of the events occurring after the reporting period is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

1.11 Commitments and contingencies

Commitments and contingencies as at the reporting date, is disclosed in Note 24 and 25 to the Financial Statements.

1.12 Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

1.13 Directors' responsibility statement

The Board of Directors of the Company is responsible for the preparation and presentation of these Financial Statements. Please refer to page 22 for the statement of the Directors' Responsibility for financial reporting.

1.14 New standards and interpretations not yet adopted

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements.

The extent of the impact of the above standards to the financial statements has not been determined as at 31 March 2014. None of these are expected to have a significant effect on the Consolidated Financial Statements of the Group.

SLFRS 9 – Financial instruments
SLFRS 10 – Consolidated financial statements
SLFRS 12 – Disclosure of interest in other entities
SLFRS 13 – Fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS CONTD...

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
2. Revenue				
Gross revenue on liquid milk based products	1,451,717,439	2,250,985,703	-	-
Nation Building Tax (NBT)	(29,034,350)	(45,036,328)	-	-
Net revenue	1,422,683,089	2,205,949,375	-	-

3. Cost of Sales

Cost of sales of the Group includes direct operating cost.

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
4. Other Income				
Dividend income	-	-	622,354	-
Royalty income	50,526,130	5,050,699	50,526,130	5,050,699
Rental income	5,572,460	-	-	-
Sundry income	493,904	161,097	-	-
	56,592,494	5,211,796	51,148,484	5,050,699

A royalty of 3% on the net sale has been received by the Company from Cargills Quality Dairies (Pvt) Ltd., on the sale of UHT milk and yoghurt products.

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
5. Net Finance Income				
5.1 Finance Income				
Interest income	37,872,063	17,631,637	44,551	42,248
	37,872,063	17,631,637	44,551	42,248
5.2 Finance expenses on;				
Bank charges	497,629	1,150,339	5,100	2,950
Long term borrowings	178,431	558,615	-	-
Bank overdrafts	25,883	276,138	-	-
	701,943	1,985,092	5,100	2,950
Net finance income	37,170,120	15,646,545	39,451	39,298

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
6. Profit Before Taxation				
Profit before taxation is stated after charging / (crediting) all the expenses / (income) including the following;				
Auditors' remuneration - for audit	1,063,792	938,290	341,000	315,000
- for non audit	-	46,121	-	15,000
Amotisation of capital grant	-	477,696	-	-
Depreciation on property, plant and equipment (Note 10)	43,233,954	34,718,680	-	-
Reversal of provision for inventories	-	(5,807,243)	-	-
Provision for trade and other receivables	3,940,000	-	-	-
Inventory write-off	3,105,925	-	-	-
Staff costs (Note 6.1)	124,905,411	146,897,663	-	-
Directors' emoluments	3,337,000	10,754,500	-	-
6.1 Staff cost				
Salaries, wages and other related costs	110,606,296	132,249,304	-	-
Defined benefits plan cost	3,447,293	1,461,117	-	-
Defined contribution plan cost - EPF and ETF	10,851,822	13,187,242	-	-
	124,905,411	146,897,663	-	-
Number of employees as at 31 March	233	226	-	-

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
7. Income Tax Expense				
Income tax on current year profit (Note 7.1)	16,546,717	25,964,889	8,904,092	926,916
(Over)/ under provision in respect of previous year	(9,306,382)	23	(306,118)	-
Dividend tax	1,151,573	889,745	-	-
Deferred Income tax (Note 7.2)	15,349,135	9,375,178	-	-
	23,741,043	36,229,835	8,597,974	926,916

(i) The tax liability of the companies in the Group are computed at the standard rate of 28% under the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

Kotmale Dairy Products (Pvt) Ltd., is subject to a concessionary tax rate of 10% under the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto. However, as the Department of Inland Revenue is contesting the income tax exemptions claimed, hence provision has been made for income tax at the normal rate for the financial years commencing from 2011/2012, where as tax returns continue to be filed based on the concessionary tax rate.

(ii) During the year the subsidiaries have not paid Economic Service Charge (ESC) (2013 -Rs.1,425,945).

NOTES TO THE FINANCIAL STATEMENTS CONTD...

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
7.1 Reconciliation between income tax charge and tax on current year profit is given below;				
Profit before taxation	117,115,417	152,289,926	49,513,799	2,516,394
Aggregate other income	(43,444,334)	(22,682,336)	(44,551)	(5,092,947)
Aggregate exempt income	(62,689)	(6,053,123)	(622,354)	-
Aggregate disallowed expenses	52,307,099	58,630,128	32,136	894,582
Aggregate allowable expenses	(56,523,544)	(41,995,869)	-	-
Aggregate taxable profit on disposal of plant and machinery	193,016	14,714,057	-	-
Adjusted profit (a)	69,584,965	154,902,783	48,879,030	(1,681,971)
Taxable income from other sources	43,444,523	23,605,965	44,551	5,092,947
Statutory income (b)	43,444,523	23,605,965	44,551	5,092,947
Tax losses brought forward	61,790,364	55,078,446	20,373,728	20,474,288
Tax losses added	11,911,311	3,788,086	-	1,681,971
Tax losses utilised (c)	(37,804,590)	(34,632,989)	(17,123,253)	(1,782,531)
Adjustment on finalisation of liability	2,835,816	37,556,821	(1,093,282)	-
Tax losses carried forward	38,732,901	61,790,364	2,157,193	20,373,728
Qualifying payment relief (d)	(16,129,481)	-	-	-
Taxable income (a+b+c+d)	59,095,417	143,875,759	31,800,328	3,310,416
Income tax @ 28% (2013 - @ 28%)	16,546,717	18,009,153	8,904,092	926,916
Income tax @ 10% (2013 - @ 10%)	-	7,955,736	-	-
Income tax expense on current year profit	16,546,717	25,964,889	8,904,092	926,916
7.2 Deferred income tax;				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	8,900,583	700,432	-	-
Employee benefit liabilities	(80,897)	(68,522)	-	-
Benefit arising from tax losses	1,457,429	9,287,336	-	-
(Increase) / decrease in provisions	8,394,270	(3,866,317)	-	-
Increase / (decrease) in future tax rates	(3,322,250)	3,322,249	-	-
Deferred tax charge	15,349,135	9,375,178	-	-

Deferred tax has been computed taking into consideration the tax rates effective from 1 April 2012 which is 28% for all the companies. The deferred tax effect on reserves on subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

7.3 Temporary differences associated with Kotmale Milk Foods Ltd., for which the deferred tax assets have not been recognised, are disclosed as follows.

FOR THE YEAR ENDED 31 MARCH

	2014 TEMPORARY DIFFERENCE RS.	2014 TAX EFFECT ON TEMPORARY DIFFERENCE RS.	2013 TEMPORARY DIFFERENCE RS.	2013 TAX EFFECT ON TEMPORARY DIFFERENCE RS.
Deductible temporary difference	16,734,804	4,685,745	41,495,215	11,618,660

Deferred tax asset is not recognised since it is probable that taxable profit will not be available against which the above deductible temporary differences amounting to Rs. 16,734,804 (2013 - Rs. 41,495,215) could be utilised in accordance with LKAS 12 - "Income taxes"

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014	2013	2014	2013
8. Earnings Per Share				
Profit attributable to ordinary share holders (Rs.)	93,374,374	116,060,091	40,915,825	1,589,478
Weighted average number of ordinary shares	31,400,000	31,400,000	31,400,000	31,400,000
Basic earnings per share (Rs.)	2.97	3.70	1.30	0.05

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of Kotmale Holdings PLC by weighted average number of ordinary shares in issue.

As there were no dilutive potential ordinary shares outstanding at the end of the year, dilutive earning per share is equal to basic earning per share for the year.

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
9. Dividend Per Share				
Dividend per share	-	-	-	-

The Company has not paid or proposed dividends for the year ended 31 March 2014. (2013 - Nil)

NOTES TO THE FINANCIAL STATEMENTS CONTD...

10. Property, Plant and Equipment

AS AT 31 MARCH	EXPENDITURE LAND AND BUILDING RS.	INCURRED ON LEASEHOLD BUILDING RS.	PLANT, MACHINERY AND EQUIPMENT RS.	MOTOR VEHICLE RS.	FURNITURE AND FITTINGS RS.	COMPUTER AND ACCESSORIES RS.	TOTAL 2014 RS.	TOTAL 2013 RS.
GROUP								
Cost / Revaluation								
Balance as at 1 April	128,799,999	15,500,000	261,749,503	19,315,064	8,353,921	6,523,233	440,241,720	392,822,422
Additions	-	-	108,064,851	900,000	35,840	2,061,588	111,062,279	29,560,203
Disposal	-	-	(57,363,814)	-	-	-	(57,363,814)	(29,940,905)
Revaluation	-	-	-	-	-	-	-	47,800,000
Balance as at 31 March	128,799,999	15,500,000	312,450,540	20,215,064	8,389,761	8,584,821	493,940,185	440,241,720
Depreciation								
Balance as at 1 April	5,900,000	3,100,000	96,131,730	17,403,251	7,221,731	5,134,041	134,890,753	111,918,668
Charge for the year	2,629,167	775,000	37,230,172	961,808	534,399	1,103,408	43,233,954	34,718,680
Disposal	-	-	(6,112,121)	-	-	-	(6,112,121)	(11,746,595)
Balance as at 31 March	8,529,167	3,875,000	127,249,781	18,365,059	7,756,130	6,237,449	172,012,586	134,890,753
Carrying value	120,270,832	11,625,000	185,200,759	1,850,005	633,631	2,347,372	321,927,599	305,350,967
Capital working progress	-	-	-	-	-	-	999,999	81,996,753
Carrying value as at 31 March	120,270,832	11,625,000	185,200,759	1,850,005	633,631	2,347,372	322,927,598	387,347,720

AS AT 31 MARCH	LAND 2014 RS.	2013 RS.	BUILDING 2014 RS.	2013 RS.
(a) If land and buildings were stated at the historical cost basis, the amounts would have been as follows:				
Group				
Cost	22,172,700	22,172,700	25,085,173	25,085,173
Accumulated depreciation	-	-	(5,781,348)	(4,625,079)
Carrying value	22,172,700	22,172,700	19,303,825	20,460,094

(b) The freehold land and building of the subsidiary Company, Kotmale Dairy Products (Pvt) Ltd. was revalued as at 31 March 2013 by an independent professional valuer, Mr.Tissa Weeratne FIVSL (Reg. No. F 53) , on a depreciated replacement cost basis for buildings and market value base for lands as at the date of valuation. The revalued amount was incorporated in the financial statements as at 31 March 2013.

These revaluations have been carried out in conformity with the requirements of LKAS 16 - "Property, Plant and Equipment". The surplus on revaluation was credited to the revaluation reserve account.

10. Property, Plant and Equipment (contd.)

(c) Capital working progress consists of expenditure incurred on projects which are not completed and commenced business operations as at the reporting date.

(d) Fully depreciated assets of the Group as at the year end is Rs. 29,276,588 (2013- Rs. 24,928,925).

(e) Expenditure incurred on leasehold building represents the cost incurred in setting up buildings on leasehold land.

(f) Group real estate portfolio

LOCATION	LAND EXTENT	BUILDING AREA (SQ. FT.)	VALUATION RS.	YEAR OF VALUATION
Kotmale Dairy Products (Pvt) Ltd. Mulleriyawa	1.7 Acres	29,615	100,000,000	2013
Bogahawatta	1.7 Acres	17,442	22,900,000	2013

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
11. Intangible Assets				
Gross value				
At the beginning of the year	97,773,232	97,773,232	-	-
Impairment				
At the beginning of the year	(41,909,958)	(41,909,958)	-	-
Impairment for the year	-	-	-	-
At the end of the year	(41,909,958)	(41,909,958)	-	-
Net carrying value	55,863,274	55,863,274	-	-

Goodwill as at the reporting date has been tested for impairment and found no impairment in carrying value. Recoverable value has been estimated based on the value in use method as stipulated in LKAS 36 - "Impairment of Assets".

AS AT 31 MARCH			GROUP		COMPANY	
	SHARES	(%)	2014 RS.	2013 RS.	2014 RS.	2013 RS.
12. Investment in Subsidiaries						
Kotmale Products Ltd.	10,372,560	100	-	-	185,400,000	185,400,000
Kotmale Milk Foods Ltd.	70	100	-	-	30,000,060	30,000,060
Provision for the investment in Kotmale Milk Foods Ltd.			-	-	(30,000,060)	(30,000,060)
			-	-	185,400,000	185,400,000

NOTES TO THE FINANCIAL STATEMENTS CONTD...

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
13. Inventories				
Finished goods	28,941,140	57,426,214	-	-
Raw materials	33,277,242	19,843,642	-	-
Packing materials	13,730,088	11,763,618	-	-
Others	10,412,603	10,562,376	-	-
	86,361,073	99,595,850	-	-

(a) Inventories which have been mortgaged for bank facilities are disclosed in note 21 (b), of the notes to the financial statements.

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
14. Trade and Other Receivables				
Trade receivables	102,518,850	159,405,576	-	-
Provision for bad and doubtful debtors	(14,869,545)	(51,654,809)	-	-
	87,649,305	107,750,767	-	-
Staff debtors (Note 14.1)	281,521	322,371	-	-
Other receivables (Note 14.2)	4,798,937	3,133,601	-	-
Deposits, advances and prepayments	11,358,044	19,848,963	4,455	4,224
	104,087,807	131,055,702	4,455	4,224

(a) Trade receivables which have been mortgaged for bank facilities are disclosed in note 21 (b), of the notes to the financial statements.

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
14.1 Staff debtors				
Balance at the beginning of the year	322,371	443,395	-	-
Advances given during the year	3,211,896	2,323,501	-	-
Repayment during the year	(3,252,746)	(2,444,525)	-	-
Balance at the end of the year	281,521	322,371	-	-
14.2 Other receivables				
Receivable from farmers [14.2 (a)]	8,752,921	7,060,053	-	-
Other debtors	4,013,339	4,040,871	-	-
	12,766,260	11,100,924	-	-
Provision for bad and doubtful debtors	(7,967,323)	(7,967,323)	-	-
	4,798,937	3,133,601	-	-

(a) Receivables from farmers consist of advances and cost of cattle feed, milk cans, etc. given to farmers.

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
15. Amount Due From / Due To Related Companies				
Amount due from related companies				
Parent				
Cargills Quality Foods Ltd.	7,687,437	635,843	-	-
	7,687,437	635,843	-	-
Subsidiaries				
Kotmale Milk Products Ltd.	-	-	18,438,381	18,438,381
Kotmale Milk Foods Ltd.	-	-	2,474,640	2,474,640
Kotmale Dairy Products (Pvt) Ltd.	-	-	80,687,100	36,331,437
Kotmale Products Ltd.	-	-	715,707	93,353
	-	-	102,315,828	57,337,811
Affiliates				
Cargills Foods Company (Pvt) Ltd.	15,529,540	-	-	-
Millers Brewery Ltd.	1,848,074	-	-	-
Cargills Quality Dairies (Pvt) Ltd.	100,245,664	50,492,970	15,260,258	5,050,699
Cargills Food Processors (Pvt) Ltd.	13,385	-	-	-
Cargills Food Services (Pvt) Ltd.	320,526	-	-	-
	117,957,189	51,128,813	15,260,258	5,050,699
Total amount due from related companies	125,644,626	51,128,813	117,576,086	62,388,510
Amount due to related companies				
Parent				
Cargills (Ceylon) PLC	47,970,305	3,950,334	-	-
	47,970,305	3,950,334	-	-
Affiliate				
Millers Ltd.	-	75,421	-	-
	-	75,421	-	-
Total amount due to related companies	47,970,305	4,025,755	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTD...

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
16. Cash and Cash Equivalents				
(a) Cash at banks and in hand				
Cash at bank	33,347,364	26,521,207	1,577,271	1,442,275
Cash in hand	262,500	262,500	-	-
	33,609,864	26,783,707	1,577,271	1,442,275
Bank overdrafts	-	90,246	-	81,246
(b) For the purpose of cash flow statement, the year end cash and cash equivalents comprise the following:				
Short term investments	503,450,653	326,000,000	-	-
Cash at banks and in hand	33,609,864	26,783,707	1,577,271	1,442,275
Bank overdrafts	-	(90,246)	-	(81,246)
Cash and cash equivalents as at 31 March	537,060,517	352,693,461	1,577,271	1,361,029
(c) Short term investments				
Call deposits	425,000,000	250,000,000	-	-
Re-purchase agreements	78,450,653	76,000,000	-	-
	503,450,653	326,000,000	-	-

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
17. Stated Capital				
Issued and fully paid; 31,400,000 ordinary shares	314,000,000	314,000,000	314,000,000	314,000,000

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
18. Reserves				
Capital reserves				
Revaluation reserve	91,529,414	91,529,414	-	-
Capital reserve	1,784,545	1,784,545	1,784,545	1,784,545
	93,313,959	93,313,959	1,784,545	1,784,545
Revenue reserves				
General reserve	1,269,472	1,269,472	1,269,472	1,269,472
	94,583,431	94,583,431	3,054,017	3,054,017

Revaluation reserve consists of net surplus resulting from revaluation of land and building.
General reserve represents the amount set aside by the Directors for general application.

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
19. Deferred Income				
Grant received for the UHT filling machine				
Balance at the beginning of the year	-	477,696	-	-
Amortisation for the year	-	(477,696)	-	-
Balance at the end of the year	-	-	-	-

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
20. Deferred Tax Liabilities/(Assets)				
Net deferred tax liabilities/(assets) at the beginning of the year	16,187,010	1,267,832	-	-
Charge for the year	14,629,145	9,375,178	-	-
Attributable to revaluation	-	5,544,000	-	-
Net deferred tax liabilities/(assets) at the end of the year	30,816,155	16,187,010	-	-
Deferred tax liability arising from				
- Temporary difference of property, plant and equipment	38,219,457	29,318,875	-	-
- Temporary difference of employee benefits	(4,401,803)	(3,600,916)	-	-
- Temporary difference of provisions	(5,858,424)	(14,252,695)	-	-
- Temporary difference of revaluation surplus of buildings	5,544,000	5,544,000	-	-
- Carryforward tax losses	(2,687,075)	(4,144,503)	-	-
- Increase in future tax rates	-	3,322,249	-	-
As at 31 March	30,816,155	16,187,010	-	-
Origination/(reversal) of deferred tax				
Total expense charged / (reversed) to income statement	15,349,135	9,375,178	-	-
Total expense charged / (reversed) to OCI	(719,990)	5,544,000	-	-
	14,629,145	14,919,178	-	-

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
21. Borrowings				
Current				
Current portion of long term loans	421,588	3,307,772	-	-
	421,588	3,307,772	-	-
Non current				
Loan term loan (Note 21- a)	-	421,588	-	-
	-	421,588	-	-
Total borrowings	421,588	3,729,360	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTD...

21. Borrowings (Contd.)

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
(a) Non current				
As at 1 April	3,729,360	8,058,499	-	-
Repayments	(3,307,772)	(4,329,139)	-	-
As at 31 March	421,588	3,729,360	-	-
Falling due within one year	(421,588)	(3,307,772)	-	-
	-	421,588	-	-
Repayment during 1-2 years	-	421,588	-	-
	-	421,588	-	-

(b) Details of all loans and bank facilities at the reporting date are set out as follows;

INSTITUTION AND THE FACILITY	PRINCIPLE AMOUNT IN RS.	REPAYMENT TERMS AND INTEREST RATES	SECURITY OFFERED
Kotmale Dairy Products (Pvt) Ltd.			
Bank Overdraft			
Bank of Ceylon	10,000,000	Average interest rate of 14.63% p .a	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Import Loan Facility			
Bank of Ceylon	40,000,000	Average interest rate of 14.63% p .a	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Series of Loan on Import			
Bank of Ceylon	40,000,000	Average interest rate of 14.63% p .a	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Bank Loans			
People's Leasing Company PLC	4,500,000	48 Monthly installments of Rs. 93,750 per month, commencing from August 2009, at fixed interest rate of 6.5% for the year.	Corporate Guarantee from Kotmale Holdings PLC.
Kotmale Milk Products Ltd.			
Bank Overdraft			
Pan Asia Bank Corporation Ltd	5,000,000	Average interest rate of 14.75% p .a	Corporate Guarantee from Kotmale Holdings PLC.
Import Loan Facility			
Pan Asia Bank Corporation Ltd.	20,000,000	Average interest rate of 14.75% p .a	Corporate Guarantee from Kotmale Holdings PLC.

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
22. Employee Benefits				
At the beginning of the year	13,409,996	13,076,032	-	-
Expense recognised in the income statement	3,447,293	1,461,117	-	-
Expense recognised in other comprehensive income	2,571,393	-	-	-
Contributions paid	(3,707,958)	(1,127,153)	-	-
At the end of the year	15,720,724	13,409,996	-	-
(a) The amounts recognised in the statement of financial position are as follows:				
Present value of unfunded obligations	15,720,724	13,409,996	-	-
Present value of funded obligations	-	-	-	-
Total present value of obligations	15,720,724	13,409,996	-	-
Fair value of plan assets	-	-	-	-
Recognised liability for employee benefits	15,720,724	13,409,996	-	-
(b) The amount recognised in the income statement as follows:				
Current service cost	1,996,615	1,553,631	-	-
Interest cost	1,450,678	1,434,783	-	-
Actuarial (gain)/loss	-	(1,527,297)	-	-
	3,447,293	1,461,117	-	-
(c) The amount recognised in other comprehensive income as follows:				
Actuarial (gain)/loss	2,571,393	-	-	-
	2,571,393	-	-	-

(d) Actuarial (gain) /loss

Actuarial (gains)/ losses resulting from remeasurement of employee benefits are recognised in the other comprehensive income from the financial year 2013/14. The comparatives have not been adjusted based on materiality.

(e) This obligation is not externally funded.

(f) The gratuity is based on the actuarial valuation carried out by Mr. M Poopalanathan, AIA, Messrs. Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries, as at 31 March 2014. The Principle assumptions used in Actuarial valuation were as follows;

	GROUP 2014	2013
(i) Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	10.50%	11%
(ii) Future salary increase		
- Executive	7%	10%
- Staff	7%	10%
(iii) Retirement Age	55	55

NOTES TO THE FINANCIAL STATEMENTS CONTD...

22. Employee Benefits (Contd.)

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. "A 67/70 mortality table" issued by the institute of Actuaries London was used to estimate the gratuity liabilities of the following Companies; Kotmale Dairy Products (Pvt) Ltd. Kotmale Milk Products Ltd.

(g) Sensitivity of assumptions used

A one percentage point change in the assumed discount rate would have the following effects:

SENSITIVITY LEVEL	2014 GROUP			
	DISCOUNT RATE		FUTURE SALARY INCREMENT RATE	
	INCREASE 1%	DECREASE 1%	INCREASE 1%	DECREASE 1%
Impact on employee benefits	(1,016,774)	1,144,120	1,230,667	(1,106,831)

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
23. Trade and Other Payables				
Trade payables	76,784,119	62,596,971	-	-
Other payables	96,709,973	87,458,408	6,669,279	60
Accrued expenses	54,361,177	70,396,541	3,267,073	3,064,583
Dividend payable	369,040	187,783	369,028	187,782
	228,224,309	220,639,703	10,305,380	3,252,425

Other payables of the Group and Company includes VAT and NBT payables.

24. Commitment

(a) Capital Commitments

There were no material capital commitments approved by the Board of Directors as at the reporting date.

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
(b) Financial Commitments				
Future payment of operating lease rental;				
- Payable within 1 year	3,480,000	2,647,500	-	-
- Payable between 1-5 years	14,500,000	-	-	-
	17,980,000	2,647,500	-	-

25. Contingent Liabilities

Letter of Guarantee to Commercial Banks

The Company has given corporate guarantees on behalf of its subsidiaries as follows;

Kotmale Dairy Products (Pvt) Ltd.	Rs. 54.5 Mn.
Kotmale Milk Products Ltd.	Rs. 25 Mn.

The Directors of the Company do not expect any claim on these guarantees, hence no provision has been made in the financial statements.

Income Tax

The Department of Inland Revenue is contesting the income tax exemptions claimed under Section 16 of the Inland Revenue Act No. 10 of 2006. The contingent liability on potential income tax payment is as follows;

Kotmale Dairy Products (Pvt) Ltd.	Rs. 27.95 Mn
-----------------------------------	--------------

Having sought professional advice, management is confident that the tax exemption sought is applicable and as such no liability would arise. Accordingly, no provision has been made in the financial statements.

Litigation against the Group

Kotmale Dairy Products (Pvt) Ltd.

DC Hatton case no. 1805/2013/M

Plaintiff filed action claiming damages of Rs. 50 Mn for loss of revenue as dispute over the equipment take off.

The management on the view that any pending litigation will not have a material impact on the financial statements.

There are no other material contingent liabilities as at the reporting date.

26. Transfer of Operation

As a part of the restructuring process, Yoghurt production and sales operations were transferred from Kotmale Dairy Products (Pvt) Ltd to Cargills Quality Dairies (Pvt) Ltd. in June 2013 and UHT milk production and sales operations were transferred to Cargills Quality Dairies (Pvt) Ltd. from Kotmale Milk Products Ltd. in February 2013. The Royalty of 3% on the net sales is paid by Cargills Quality Dairies (Pvt) Ltd. for the sales of "Kotmale" branded products.

27. Events After the Reporting Date

There are no significant events that have taken place since the reporting date which would require any adjustments or disclosure in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTD...

28. Transactions with Group Companies

Companies within the Group engage in trading and business transactions under normal commercial terms which give rise to related company balances. The related company balances have been disclosed under note 15 to the financial statements.

(a) Transaction with key management personnel (KMP)

According to the Sri Lanka Accounting Standards (LKAS 24) "Related Party Disclosures", key management personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly, the Board of Directors (including Executive and Non - Executive Directors) have been classified as key management personnel of the Company and its subsidiaries. There have been no transactions involving key Management personal during the year.

The Group has paid Rs. 3.34 Mn (2013 - Rs. 10.75 Mn) to the directors as emoluments and Rs. 1.9 Mn (2013 - Rs. Nil) as post employment benefits during the year. There are no other payments made to key management personnel apart from the disclosed amount.

(b) Changes in Key Management Personnel (KMP) during the year

Mr. M S J Fernando, Director/ Chief Executive Officer of the Kotmale Group of Companies has resigned from the employment and from the Boards of the respective companies with effect from 30 June 2013.

(c) The transaction of directors of the group companies

The Directors of the Company are also directors of the following companies with which the Company had regular business transactions are disclosed as follows;

	MR. STUART YOUNG	MR. V.R. PAGE	MR. M.I. ABDUL WAHID	MR. P. S. MATHAVAN	MR. J. C. PAGE	MR. A.T.P. EDIRISINGHE	MR. SUNIL MENDIS
Group Companies							
Kotmale Holdings PLC	√	√	√	√	√	√	√
Kotmale Dairy Products (Pvt) Ltd.	√	-	√	-	-	-	-
Kotmale Milk Products Ltd.	√	-	√	-	-	-	-
Kotmale Milk Foods Ltd.	√	-	√	-	-	-	-
Kotmale Products Ltd.	√	-	√	-	-	-	-
Kotmale Marketing (Pvt) Ltd.	√	-	√	-	-	-	-
Kotmale Kiri (Pvt) Ltd.	√	-	√	-	-	-	-
Other Companies							
Cargills (Ceylon) PLC	-	√	√	√	√	√	√
Cargills Foods Company (Pvt) Ltd.	-	-	√	-	-	-	-
Cargills Quality Foods Ltd.	√	√	√	√	-	-	-
Millers Brewery Ltd.	√	√	-	√	-	√	-
Cargills Quality Dairies (Pvt) Ltd.	√	-	√	√	-	-	-
Cargills Food Services (Pvt) Ltd.	√	-	√	√	-	-	-
Cargills Food Processors (Pvt) Ltd.	√	-	√	√	-	-	-
Millers Ltd.	√	-	√	√	-	-	-
CT Holdings PLC	-	√	-	-	√	√	√

Directors have no direct or indirect interest in any other contracts with the Company. The above interest in contracts have been declared at the Board Meeting by the Directors concerned.

(d) Transactions with related companies

The subsidiaries of Kotmale Holdings PLC have engaged in trading transactions with related companies under normal terms and conditions, which can be summarised as follows;

FOR THE YEAR ENDED 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
Parent				
Sales	157,086,549	309,560,016	-	-
Settlements	(196,571,316)	(329,937,698)	-	-
Others	2,516,429	(918,809)	-	-
Subsidiaries				
Fund transfers	-	-	46,985,791	-
Dividend	-	-	622,354	-
Others	-	-	(2,630,129)	1,574,986
Affiliates				
Royalty income	50,526,130	5,050,699	50,526,130	5,050,699
Sales	496,341,858	136,393,305	-	-
Purchases	(21,967,530)	(2,698,265)	-	-
Settlements	(524,765,222)	(104,878,500)	(40,316,572)	-
Rental income	5,572,460	-	-	-
Sale of machinery	61,831,942	14,610,000	-	-
Others	-	66,184	-	-

There are no material transactions between the Company and its related companies during the year, other than disclosed above .

(e) Amounts due from / due to related companies

The relationship of related companies along with the amount due from and due to as at the year end have been disclosed under note 15 to these financial statement.

NOTES TO THE FINANCIAL STATEMENTS CONTD...

29. Financial Instruments

Financial Assets and Liabilities by Categories

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

FINANCIAL ASSETS BY CATEGORIES AS AT 31 MARCH	GROUP LOANS AND RECEIVABLES		COMPANY LOANS AND RECEIVABLES	
	2014	2013	2014	2013
	RS.	RS.	RS.	RS.
Financial instruments in current assets				
Trade and other receivables	104,087,807	131,055,702	4,455	4,224
Amounts due from related companies	125,644,626	51,128,813	117,576,086	62,388,510
Short term investments	503,450,653	326,000,000	-	-
Cash at banks and in hand	33,609,864	26,783,707	1,577,271	1,442,275
Total	766,792,950	534,968,222	119,157,812	63,835,009

The fair value of instruments under the loans and receivables category does not significantly vary from the value based on amortised cost.

FINANCIAL LIABILITIES BY CATEGORIES AS AT 31 MARCH	GROUP FINANCIAL LIABILITIES MEASURED AT AMORTISED COST		COMPANY FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	
	2014	2013	2014	2013
	RS.	RS.	RS.	RS.
Financial instruments in non-current liabilities				
Borrowings	-	421,588	-	-
Financial instruments in current liabilities				
Trade and other payables	228,224,309	220,639,703	10,305,380	3,252,425
Amounts due to related companies	47,970,305	4,025,755	-	-
Borrowings	421,588	3,307,772	-	-
Bank overdrafts	-	90,246	-	81,246
Total	276,616,202	228,485,064	10,305,380	3,333,671

30. 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 risk, 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.

The Group's risk management processes are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management processes / guidelines and procedures and reviews the adequacy of the risk management framework in relation to the risks. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

30.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligation, and arise principally from the Group's receivables from customers.

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

Carrying value

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
Trade receivables	102,518,850	159,405,576	-	-
Other receivables	12,766,260	11,100,924	-	-
Deposits and advances	7,229,931	10,898,452	-	-
Amount due from related companies	125,644,626	51,128,813	117,576,086	62,388,510
Cash and cash equivalents	537,060,517	352,783,707	1,577,271	1,442,275
	785,220,184	585,317,472	119,153,357	63,830,785
30.1.1 Trade receivables				
Past due neither nor impaired				
Past due 1 - 30 days	56,193,209	59,579,507	-	-
Past due 31 - 60 days	26,822,302	32,677,385	-	-
Past due 61 - 90 days	10,802,931	15,035,948	-	-
> 91 days	8,700,408	52,112,736	-	-
	102,518,850	159,405,576	-	-

The Companies in the Group have obtained bank guarantees from major customers by reviewing their past performance and credit worthiness.

30.1.2 Advances

Advances represent advances given to suppliers, farmers and permanent employees.

NOTES TO THE FINANCIAL STATEMENTS CONTD...

30. Financial Risk Management (Contd.)

30.1.3 Amount due from related companies

The Group's amounts due from related companies mainly consist of related companies and parent company balance. The Company balance consists of the balance from affiliate companies.

30.1.4 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 537 Mn and Rs. 1.6 Mn at 31 March 2014 (2013: Rs. 353 Mn and Rs. 1.4 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA (lka) to A(lka), based on Fitch Ratings.

Short term investments represent investment in re-purchase agreements and call deposits with less than one month maturity period are classified as cash and cash equivalent.

30.1.5 Guarantees

The Group's policy is to provide financial guarantees only to wholly owned subsidiaries.

30.2 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 as at 31 March 2014.

GROUP	WITHIN 1 YEAR Rs. '000	BETWEEN 1-2 YEARS Rs. '000	BETWEEN 2-3 YEARS Rs. '000	BETWEEN 3-4 YEARS Rs. '000	BETWEEN 4-5 YEARS Rs. '000	MORE THAN 5 YEARS Rs. '000	TOTAL Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade and other payables	228,224,309	-	-	-	-	-	228,224,309
Amounts due to related companies	47,970,305	-	-	-	-	-	47,970,305
Borrowings	421,588	-	-	-	-	-	421,588
Bank overdraft	-	-	-	-	-	-	-
	276,616,202	-	-	-	-	-	276,616,202

The following are the contractual maturities of financial liabilities as at 31 March 2014.

COMPANY	WITHIN 1 YEAR Rs. '000	BETWEEN 1-2 YEARS Rs. '000	BETWEEN 2-3 YEARS Rs. '000	BETWEEN 3-4 YEARS Rs. '000	BETWEEN 4-5 YEARS Rs. '000	MORE THAN 5 YEARS Rs. '000	TOTAL Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade and other payables	10,305,380	-	-	-	-	-	10,305,380
Amounts due to related companies	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-
	10,305,380	-	-	-	-	-	10,305,380

The following are the contractual maturities of financial liabilities as at 31 March 2013.

GROUP	WITHIN 1 YEAR Rs. '000	BETWEEN 1-2 YEARS Rs. '000	BETWEEN 2-3 YEARS Rs. '000	BETWEEN 3-4 YEARS Rs. '000	BETWEEN 4-5 YEARS Rs. '000	MORE THAN 5 YEARS Rs. '000	TOTAL Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	421,588	-	-	-	-	421,588
Financial instruments in current liabilities							
Trade and other payables	220,639,703	-	-	-	-	-	220,639,703
Amounts due to related companies	4,025,755	-	-	-	-	-	4,025,755
Borrowings	3,307,772	-	-	-	-	-	3,307,772
Bank overdraft	90,246	-	-	-	-	-	90,246
	228,063,476	421,588	-	-	-	-	228,485,064

The following are the contractual maturities of financial liabilities as at 31 March 2013.

COMPANY	WITHIN 1 YEAR Rs. '000	BETWEEN 1-2 YEARS Rs. '000	BETWEEN 2-3 YEARS Rs. '000	BETWEEN 3-4 YEARS Rs. '000	BETWEEN 4-5 YEARS Rs. '000	MORE THAN 5 YEARS Rs. '000	TOTAL Rs. '000
Financial instruments in non-current liabilities							
Borrowings	-	-	-	-	-	-	-
Financial instruments in current liabilities							
Trade and other payables	3,252,425	-	-	-	-	-	3,252,425
Amounts due to related companies	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Bank overdraft	81,246	-	-	-	-	-	81,246
	3,333,671	-	-	-	-	-	3,333,671

NOTES TO THE FINANCIAL STATEMENTS CONTD...

30. Financial Risk Management (Contd.)

30.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 optimising the return.

30.3.1 Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the Sri Lankan rupees (LKR). The Group also has limited exposure in respect of recognised foreign currency assets and liabilities.

30.3.2 Interest Rate Risk

The Group is exposed to interest rate risk on borrowings. The Group's interest rate policy seeks to minimise the cost and volatility of the Group's interest expense by maintaining a diversified portfolio of fixed rate and inflation-linked liabilities.

The Group adopt policy of ensuring borrowings are maintained at manageable level while optimising return. Interest rates are negotiated leveraging on the strength of the Kotmale Group and thereby ensuring the availability of cost -effective funds at all times, while minimising the negative effect of market fluctuations. Further, the Company has considerable banking facilities with several reputed banks which has enabled the Company to negotiate competitive rates.

The interest rate profile of the Group's interest bearing financial instruments as follows.

AS AT 31 MARCH	GROUP		COMPANY	
	2014 RS.	2013 RS.	2014 RS.	2013 RS.
Fixed rate instruments				
Borrowings	421,588	3,729,360	-	-

30.4 Capital management

The primary objective of the Group's capital management is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

AS AT 31 MARCH	GROUP		COMPANY	
	2014	2013	2014	2013
Debt / Equity	40%	37%	7%	2%

FIVE YEAR FINANCIAL SUMMARY

GROUP	2009/10 Rs. '000	2010/11 Rs. '000	2011/12 Rs. '000	2012/13 Rs. '000	2013/14 Rs. '000
Financial Results					
Net revenue	1,348,176	1,543,379	2,085,211	2,205,949	1,422,683
Results from operating activities	97,233	85,184	100,444	136,643	79,945
Profit before taxation	87,061	77,070	97,714	152,290	117,115
Profit attributable to equity shareholders of the parent	65,506	75,283	83,421	116,060	93,374
Financial Position					
Stated capital	314,000	314,000	314,000	314,000	314,000
Reserves	220,159	232,642	316,063	474,379	565,902
Capital and reserves	534,159	546,642	630,063	788,379	879,902
Current assets	394,344	395,696	485,151	634,564	853,154
Current liabilities	(153,239)	(163,249)	(193,788)	(259,377)	(305,506)
Working capital	241,105	232,447	291,363	375,187	547,648
Non current assets	345,241	341,822	359,755	443,211	378,791
Non current liabilities	(52,187)	(27,627)	(21,054)	(30,019)	(46,537)
Net assets	534,159	546,642	630,063	788,379	879,902
Key Indicators					
Growth in net revenue (%)	(0.35)	14.48	35.11	5.79	(35.51)
Growth in earnings (%)	3.12	14.93	10.81	39.13	(19.55)
Return on total assets (%)	8.86	10.21	9.87	10.77	7.58
Growth in total assets (%)	(3.11)	(0.28)	14.56	27.56	14.30
Growth in capital and reserves (%)	0.51	2.34	15.26	25.13	11.61
Return on investment (%)	12.26	13.77	13.24	14.72	10.61
Earnings per share (Rs.)	2.09	2.40	2.66	3.70	2.97
Dividends per share (Rs.)	4.00	-	-	-	-
Dividends paid per share (Rs.)	2.00	2.00	-	-	-
Net assets per share (Rs.)	17.01	17.41	20.07	25.11	28.02
Market value per share (Closing) (Rs.)	24.75	53.00	39.50	35.90	52.00
Market capitalisation (Rs.)	777,150,000	1,664,200,000	1,240,300,000	1,127,260,000	1,632,800,000
Dividend pay-out (times)	1.92	-	-	-	-
Debt equity ratio (times)	0.38	0.35	0.34	0.37	0.40
Interest cover (times)	9.56	10.50	35.41	68.83	113.89
Current ratio (times)	2.57	2.42	2.50	2.45	2.79
Quick assets ratio (times)	2.27	1.96	1.79	2.06	2.51

(a) The above ratios have been computed based on 31,400,000 numbers of issued and fully paid shares as at 31 March 2014.

(b) Debt equity ratio is computed by dividing the total liabilities by the shareholder's funds.

(c) Return on investment is computed by dividing profit for the year by the shareholder's funds.

INVESTOR RELATIONS SUPPLEMENT

1. General

Stated capital	Rs. 314,000,000
Issued shares	31,400,000
Class of shares	Ordinary shares
Voting rights	One vote per ordinary share

2. Stock Exchange Listing

The issued ordinary shares of Kotmale Holdings PLC are listed in the Colombo Stock Exchange.

3. Distribution of shareholding

SHAREHOLDINGS	31 MARCH 2014				31 MARCH 2013			
	SHAREHOLDERS		HOLDING		SHAREHOLDERS		HOLDING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
1 - 1,000	1,126	82.07	313,962	1.00	1,289	74.81	415,896	1.32
1,001 - 10,000	215	15.67	704,698	2.25	372	21.59	1,280,652	4.08
10,001 - 100,000	30	2.19	842,242	2.68	55	3.19	1,531,184	4.88
100,001 - 1,000,000	-	-	-	-	6	0.35	1,399,328	4.46
Over 1,000,000	1	0.07	29,539,098	94.07	1	0.06	26,772,940	85.26
Total	1,372	100.00	31,400,000	100.00	1,723	100.00	31,400,000	100.00

4. Analysis of shareholders

SHAREHOLDER CATEGORY	31 MARCH 2014				31 MARCH 2013			
	SHAREHOLDERS		HOLDING		SHAREHOLDERS		HOLDING	
	NUMBER	%	NUMBER	%	NUMBER	%	NUMBER	%
Individuals	1,334	97.23	1,480,439	4.71	1,667	96.75	3,356,903	10.69
Institutions	38	2.77	29,919,561	95.29	56	3.25	28,043,097	89.31
Total	1,372	100.00	31,400,000	100.00	1,723	100.00	31,400,000	100.00
Resident	1,356	98.83	31,369,750	99.90	1,701	98.72	31,327,629	99.77
Non-Resident	16	1.17	30,250	0.10	22	1.28	72,371	0.23
Total	1,372	100.00	31,400,000	100.00	1,723	100.00	31,400,000	100.00

5. Public holding

THE PUBLIC HOLDING AS AT 31 MARCH

	2014	2013
Number of shares held by the public	1,858,902	4,340,260
Percentage held by the public	5.92	13.82

6. Share price movements for the period

THE MARKET PRICE OF SHARE RECORDED FOR THE YEAR ENDED 31 MARCH

	2014 Rs.	2013 Rs.
Highest	58.00	47.10
Lowest	33.50	20.00
Last traded price	52.00	35.90

7. Information on share trading and market capitalisation

FOR THE YEAR ENDED 31 MARCH

	2014	2013
Number of transactions	2,934	1,075
Number of shares traded	4,773,689	578,220
Values of shares traded (Rs.)	253,014,431	21,433,589
Market capitalisation (Rs.)	1,632,800,000	1,127,260,000

8. Top Twenty Shareholders

	NAME OF THE SHAREHOLDER	NO. OF SHARES AS AT 31 MARCH 2014	HOLDING %	NO. OF SHARES AS AT 31 MARCH 2013	HOLDING %
1.	Cargills Quality Foods Ltd.	29,539,098	94.07	26,772,940	85.26
2.	Yoropa Investments (Pvt) Ltd.	100,000	0.32	-	-
3.	The Bishop of Galle	100,000	0.32	100,000	0.32
4.	Mr. G G R Kariyawasam	59,700	0.19	59,700	0.19
5.	Hemas Holdings PLC	40,000	0.13	40,000	0.13
6.	Mr. Y Esmailjee	40,000	0.13	40,000	0.13
7.	Mrs. I S Jayasinghe	37,500	0.12	37,500	0.12
8.	Deutsche Bank AG As Trustee To Candor Sharia Fund	37,018	0.12	-	-
9.	Mr. D A Edussuriya	35,800	0.11	50,000	0.16
10.	Mr. C P Shivaraj	30,400	0.10	-	-
11.	Mr. E J A Samarakoon	27,000	0.09	-	-
12.	T R L Holdings (Pvt) Ltd.	25,200	0.08	-	-
13.	Mr. K C Vignarajah	22,350	0.07	-	-
14.	Mrs. N N Dissanayaka	21,400	0.07	-	-
15.	Mr. M A Deen	20,000	0.06	-	-
16.	Mr. N C A Nuwarapaksa	20,000	0.06	68,400	0.22
17.	Mrs. M D Niroshini	19,200	0.06	-	-
18.	Deutsche Bank AG As Trustee To Candor Growth Fund	19,015	0.06	-	-
19.	Mr. R D Edirisinghe	19,000	0.06	-	-
20.	Mr. R A L White	18,700	0.06	-	-

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty seventh Annual General Meeting of the Company will be held at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, 30 A, Malalasekera Mawatha, Colombo 07 on Tuesday, 26 August 2014, at 9.30 a.m. and the business to be brought before the meeting will be:

1. To consider and adopt the Annual Report of the Board and the Statements of Accounts for the year ended 31 March 2014, with the Report of the Auditors thereon.
2. To re-elect Directors
 - (a) J. C. Page, who retires by rotation, and
 - (b) Sunil Mendis, who retires in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having attained the age of seventy years and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007.

Ordinary Resolution

“Resolved that Sunil Mendis, a retiring Director, who has attained the age of seventy years be and is hereby reappointed a Director of the Company and it is hereby declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the appointment of the said Director”

3. To authorise the Directors to determine contributions to charities for the financial year 2014/15.
4. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG, who are deemed reappointed as Auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 07 of 2007.

By Order of the Board

Kotmale Holdings PLC

(Signed.)

S L W Dissanayake
Company Secretary

1 August 2014

Notes:

- i. A member is entitled to appoint a proxy to attend and vote at the meeting in his or her stead and the proxy need not be a member of the Company.
- ii. A form of proxy is enclosed for this purpose.
- iii. The instrument appointing a proxy must be completed and deposited at the registered office of the Company not less than 48 hours before the time fixed for the meeting.

PROXY FORM

For use at the forty seventh Annual General Meeting

*I/We of
 being a
 *member/ members of Kotmale Holdings PLC hereby appoint
 of whom failing of
 or failing him/her, the Chairman of the Meeting as *my/our Proxy to represent *me/
 us and to vote for on *my/our behalf at the forty seventh Annual General Meeting of the Company to be held on Tuesday, 26 August 2014 and at any
 adjournment thereof and at every Poll which may be taken in consequence thereof in the manner indicated below:

RESOLUTION NUMBER	1	2 (A)	2 (B)	3	4
For					
Against					

.....
 Date

.....
 Signature of member (s)

Notes:

- (a) *Strike out whichever is not desired
- (b) Instructions as to completion of the Form of Proxy are set out in the reverse hereof
- (c) A Proxy holder need not be a Member of the Company
- (d) Please indicate with an "X" in the cage provided how your Proxy holder should vote. If no indication is given, or if there is, in the view of the Proxy holder, any doubt (by reason of the manner in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/ she thinks fit.

Instructions for Completion of the Proxy Form

1. To be valid, the completed Proxy Form should be deposited at the Registered Office of the Company at No. 40, York Street, Colombo 01, not less than 48 hours before the time appointed for the holding of the meeting.
2. In perfecting the form, please ensure that all details are legible. If you wish to appoint a person other than the Chairman as your proxy, please fill in your full name and address, the name and address of the proxy holder and sign in the space provided and fill in the date of signature.
3. The instrument appointing a Proxy shall, in the case of an individual, be signed by the appointer or by his Attorney and in the case of a Corporation must be executed under its Common Seal or in such other manner prescribed by its Articles of Association or other constitutional documents.
4. If the Proxy Form is signed by an Attorney, the relevant Power of Attorney or a notorially certified copy thereof, should also accompany the completed Proxy Form, if it has not already been registered with the Company.
5. In the case of joint holders, only one need sign. The votes of the senior holder who tenders a vote will alone be counted.
6. In the case of non-resident Shareholders, the stamping will be attended to upon return of the completed Proxy Form to Sri Lanka.

CORPORATE INFORMATION

Name of the Company

Kotmale Holdings PLC

Company Registration No.

PQ 213

Legal form

Incorporated as a Public Company in 1967 under the provisions of the Companies Ordinance No. 51 of 1938 and subsequently re-registered under the Companies Act No. 7 of 2007 on 6th May 2008.

Stock exchange listing

The Company was listed on the Colombo Stock Exchange in 1969.

Board of Directors

Mr. Stuart Young (Chairman)
Mr. V R Page (Deputy Chairman)
Mr. M I Abdul Wahid (Managing Director)
Mr. P S Mathavan
Mr. A T P Edirisinghe
Mr. Sunil Mendis
Mr. J C Page

Registered office

No 40, York Street, Colombo 01.
Tel: +94 (0) 11 242 7777
Telefax: +94 (0) 11 233 8704

Factory

20, Sri Sumana Mawatha, New Town,
Mulleriyawa.
Tel: +94 (0) 11 749 6400

Company Secretary

Mr. S L W Dissanayake

Registrars

SSP Corporate Services (Pvt) Ltd
No. 101, Inner Flower Road, Colombo 03.
Tel: +94 (0) 11 257 3894

Audit committee

Mr. A T P Edirisinghe (Chairman)
Mr. Sunil Mendis

Remuneration committee

Mr. Sunil Mendis (Chairman)
Mr. A T P Edirisinghe

Auditors

KPMG
Chartered Accountants

Bankers

Bank of Ceylon
Cargills Bank Ltd.
Commercial Bank of Ceylon PLC
DFCC Vardhana Bank PLC
Hatton National Bank PLC
Pan Asia Banking Corporation PLC
Seylan Bank PLC
The Hongkong & Shanghai Banking Corporation Ltd.

Subsidiary companies

Kotmale Dairy Products (Pvt) Ltd.
Kotmale Milk Products Ltd.
Kotmale Milk Foods Ltd.
Kotmale Products Ltd.
Kotmale Marketing (Pvt) Ltd.
Kotmale Kiri (Pvt) Ltd.

KOTMALE HOLDINGS PLC

ANNUAL REPORT
2013/2014



Kotmale Holdings PLC
No. 40, York Street, Colombo 01.