

# KOTMALE HOLDINGS PLC

Annual Report 2016/17



# Content

Vision and Mission	<b>01</b>
Financial Highlights	<b>02</b>
Chairman's Review	<b>04</b>
Profile of Directors	<b>05</b>
Corporate Governance	<b>06</b>
Risk Management	<b>25</b>

## Financial Reports

Annual Report of the Directors' on the Affairs of the Company	<b>30</b>
Statement of Directors' Responsibilities	<b>32</b>
Independent Auditors' Report	<b>33</b>
Statement of Profit or Loss and Other Comprehensive Income	<b>34</b>
Statement of Financial Position	<b>35</b>
Statement of Changes in Equity	<b>36</b>
Statement of Cash Flows	<b>38</b>
Notes to the Financial Statements	<b>39</b>
Five Year Financial Summary	<b>69</b>
Investor Relations Supplement	<b>70</b>
Notice of Annual General Meeting	<b>73</b>
Notes	<b>74</b>
Proxy Form	<b>75</b>
Corporate Information	<b>IBC</b>

# 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.

# Financial Highlights

Group	2017 Rs. '000	2016 Rs. '000	Change %
<b>Operating Results</b>			
Net revenue	2,132,962	1,840,417	16
Profit from operation	254,881	226,112	13
Profit before taxation	348,423	280,974	24
Profit after taxation	216,367	203,371	6
<b>Financial Position</b>			
Non-current assets	469,335	377,390	24
Current assets	943,302	1,181,459	(20)
Current liabilities	349,530	298,083	17
Non-current liabilities	60,469	55,339	9
Stated capital and reserves	1,002,638	1,205,427	(17)
Total assets	1,412,637	1,558,849	(9)
<b>Per Share Data (Rs.)</b>			
Earning per share	6.89	6.48	6
Net assets per share	31.93	38.39	(17)
<b>Cash Flow</b>			
Net cash generated from / (used in);			
Operating activities	71,888	162,489	
Investing activities	(38,983)	13,592	
Financing activities	(407,826)	(6,127)	

Rs. **2,133** Mn  
**Net Revenue**

Rs. **348** Mn  
**Profit Before Tax**

Rs. **216** Mn  
**Profit After Tax**

Rs. **1,413** Mn  
**Total Assets**

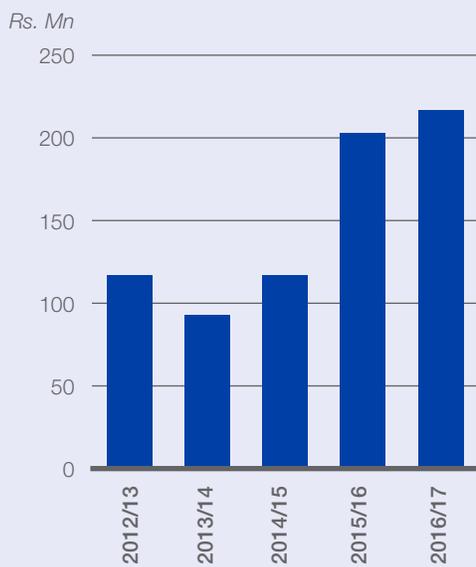
**Group Net Revenue**



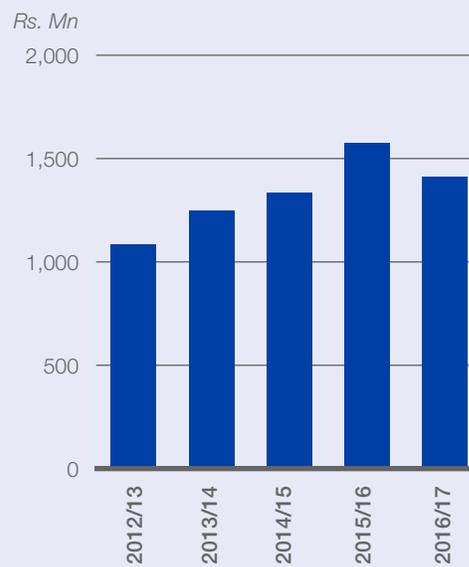
**Group Profit Before Taxation**



**Group Profit After Taxation**



**Group Total Assets**



# Chairman's Review

## Dear Stakeholders,

On behalf of the Board of Directors of Kotmale Holdings, it is with great pleasure that I present to you the Annual Report and Financial Statements for the year ended 31st March 2017. In addition to being a year of milestones, the year under review has also been a year of good financial performance.

Revenue during the year has grown by 15.9% to Rs. 2.1bn, and profit before taxation has grown by 24% to Rs. 348mn. Furthermore, despite a 10.3% increase in the effective tax rate – which was largely driven by the 'Dividend tax' component – the Group has delivered a 6.3% increase in profit for the year. The Group continues to maintain a healthy balance sheet position as well, with 70.9% of the Group's total assets being funded by shareholder funds.

## A leader in pasteurized milk

Delivering on our vision of being a leading provider of nutrition to our citizens, we continue to consolidate our leadership position in the pasteurized milk market. This segment is of significant importance, primarily on account of the nutritional value of the product and more importantly the affordability factor.

A notable channel that our Group continues to devote attention to is educational institutions, and in particular schools. Hoping to foster milk consumption habits among children, the Group has focused its efforts on making pasteurized milk available at a very large no. of schools across the country.

## Our unwavering support towards dairy farmers

Our Extension Services Team has continued to increase the depth and breadth of their support to the dairy farming community. Our teams have a relentless focus on developing strong markets for their produce, while also supporting them with technical inputs which enable our farmer partners to enhance productivity.

We continue to play an integral role in the development of Sri Lanka's dairy farming community, and the entire credit for this goes to the passionate team efforts of all our employees.

## An exciting journey ahead

During the year, the Group made several investments to enhance both capacity and packaging capabilities. A major investment initiated during the period, relates to a processing facility dedicated to cheese and related product categories. I am very confident that the Group will benefit significantly from these investments, in the coming periods.

Our strategic direction towards investing in sourcing and processing capabilities is continuing to reap rich dividends, for us, our farmer partners, and the entire industry as well. Furthermore, as a proud member of Cargills, a group with a rich heritage of over 170 years, I believe that Kotmale is strongly nested to become the most trusted dairy brand in Sri Lanka.

## Acknowledgments

On behalf of the Board of Directors, I wish to place on record my sincere thanks to our Dairy Farming Community, our Customers, Bankers, Suppliers and Principals and appreciate the support extended to us during the year. I also thank our Shareholders for their encouragement and continued confidence in our Group. Finally, I wish to mention my sincere thanks to all my fellow Directors and staff for the assistance and cooperation rendered during the year.

*(Signed.)*

**Ranjit Page**  
Chairman

5 June 2017

# Profile of Directors

## Ranjit Page

*Chairman*

Mr. V. Ranjit Page possesses over 30 years of management experience with expertise in food retailing, food service, and manufacturing, having introduced the concept of super marketing to the Sri Lankan masses. He also serves on the boards of several other companies, and is the Deputy Chairman / CEO of the parent Company, Cargills (Ceylon) PLC, and is also the Deputy Chairman/Managing Director of the ultimate holding Company, C T Holdings PLC.

## Imtiaz Abdul Wahid

*Managing Director*

Mr. M. Imtiaz Abdul Wahid is the Managing Director and Deputy CEO of holding Company Cargills (Ceylon) PLC and 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 progressively at higher levels (appointed Director 1997 and Deputy Managing Director in 2001) spanning a period of over 25 years. He was appointed Managing Director / Deputy CEO of Cargills (Ceylon) PLC in May 2010, and appointed a Director of the ultimate holding Company C T Holdings PLC in December 2016.

## Prabhu Mathavan

*Director\*\**

Mr. Prabhu S. Mathavan 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 Bachelor's Degree in Commerce. He possesses over 20 years of experience in the fields of Finance, Auditing, Accounting and Taxation. He is currently the Managing Director / CEO of Cargills Bank Ltd. He is also a Director of Cargills (Ceylon) PLC and Lanka Clear (Private) Limited.

## Priya Edirisinghe

*Director\**

Mr. A. T. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He was the Senior Partner of BAKER TILLY Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd. He counts over 45 years' 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, C T Holdings PLC, where in some companies he also serves as Chairman/Member of the Audit Committee, Related Party Transactions Review Committee, and Member of the Remuneration Committee. Mr. Edirisinghe is the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee, and a member of the Company's Remuneration Committee.

## Sunil Mendis

*Director\**

Desamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and a 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. Mr. Mendis is the Chairman of the Company's Remuneration Committee and a member of the Company's Audit Committee and Related Party Transactions Review Committee, and also serves on the boards of several other Group companies.

## Joseph Page

*Director\*\**

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

\* Independent Non Executive

\*\* Non Independent Non Executive

# Corporate Governance

## 1. Our Governance – an Introduction

Corporate governance at Kotmale encompasses a set of systems, processes and practices in place to ensure that the Company's affairs are being managed in a manner which ensures accountability, transparency and fairness in all transactions. We believe that sound corporate governance practices are essential to create sustainable value and to safeguard the interest of the stakeholders.

We are committed to have sound corporate governance principles and constantly strive to embrace emerging best practices adopted worldwide. Over the years, we have strengthened our governance structure, practices and processes to meet the evolving governance need propelled by the rapid changes in the business environment.

## 2. Our Governance Structure

The Group has put in place an internal governance structure with defined roles and responsibilities of every constituent of the system. The Board of Directors appointed by the Shareholders is primarily responsible for good governance. The Board delegates some of its responsibilities to the Board Committees to discharge its responsibilities in an effective manner.

### 2.1 Board of Directors

The Group currently has six Directors in the Board comprising four Non-Executive Directors (of whom two are independent) and two Executive Directors.

#### 2.1.1 Board Size and Composition

The Board of Directors comprises such number of directors as the Board deems appropriate to function efficiently as a body, subject to the Company's Articles of Association.

The Board establishes principles and procedures to determine whether or not any particular director is independent in accordance with applicable regulations and the requirement of the CSE Listing Rules.

The Group policy is to have an appropriate mix of Executive, Non-Executive and Independent Directors in order to maintain the independence of the Board, and to separate its functions of governance and management. The Group Board periodically evaluates its composition and makes changes if necessary.

#### 2.1.2 Board Independence and Conflict of Interest

The Group considers that Board independence is a key feature of good corporate governance. Our Board is well represented by the independent directors who support the Executive Directors in governance and strategic management.

Independence of the Directors has been determined in accordance with the criteria of the CSE Listing Rules and present composition of Non-Executive Independent Directors is in line with the requirements of the CSE Listing Rules. The two independent Non-Executive Directors have submitted signed confirmations of their Independence.

Where the personal or business relationships or interests of Directors and executive officers may conflict with those of Kotmale, they are required to disclose in writing the nature and extent of any interest they have in a material contract or material transaction with the Group.

#### 2.1.3 Appointment of Directors

The Nominations Committee of the ultimate parent company (CTH) recommends any person to be a Director either to fill a casual vacancy or as an additional Director, subject to the provisions in the Articles of Association of the Company. Any Director so appointed shall hold office until the next Annual General Meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

In considering candidates for directorship, the Board will take into account all factors it consider appropriate, including, among other things, breadth of experience, understanding of business and financial issues, ability to exercise sound judgment, diversity, leadership, and achievements and experience in matters affecting business and industry.

The Nominations Committee considers the entirety of each candidate's credentials and believes that at a minimum each nominee should satisfy the following criteria: highest character and integrity, experience and understanding of strategy and policy-setting, sufficient time to devote to Board matters, and no conflict of interest that would interfere with performance as a director.

Details of new Directors are disclosed to the shareholders at the time of their appointment by way of public announcement as well as in the Annual Report (Please refer Board Profiles section of the Report)

#### 2.1.4 Board Tenure, Retirement and Re-election of Directors

The Executive Directors are appointed and recommended for re-election subject to their prescribed retirement age whilst Non-Executive Directors are appointed and recommended for re-election subject to the age limit as per statutory provisions at the time of re-appointment.

At each Annual General Meeting one third of the Directors, retire by rotation on the basis prescribed in the Articles of Association of the Company and are eligible for re-election. The Directors who retire are those who have been longest in office since their appointment / re-appointment. In addition any new Director appointed to the Board during the year is required to stand for re-election at the next Annual General Meeting.

#### 2.1.5 Membership of the other Boards

The Group, in assessing the performance of the individual Director, considers whether sufficient time and attention has been given by the Director to the affairs of the Group while holding board membership in other companies. The Group expects Directors to devote sufficient time in the affairs of the Company though it does not impose limit on the number of board representations which a Director may hold in other companies.

Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest caused by serving on other boards.

#### 2.1.6 Remuneration Policy of Directors

The Remuneration 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. Executive Director Remuneration is reviewed periodically against market comparators.

Remuneration of Non-Executive Directors is determined in reference to fees paid by the comparable companies and is adjusted where necessary. The fees received by Non-Executive Directors are determined by the Board and reviewed annually.

### 2.2 Board Committees

The Group has the following Board Committees

1. Audit Committee
2. Nominations Committee
3. Remuneration Committee
4. Related Party Transaction Review Committee (RPTRC)

All committees have written charters detailing their responsibilities and the extent to which they have been delegated powers of the Board of Directors.

#### 2.2.1 Audit Committee

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 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  
Sunil Mendis – Independent

##### Duties and Responsibilities of the Audit Committee

- Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/ LKAS;
- Overseeing of the Company's compliance with financial reporting requirements, information requirements of the Companies Act and SEC and other regulatory bodies.
- Overseeing the processes to ensure that the Company's internal controls and risk management processes are adequate, to ensure the various risk exposures are mitigated.
- Assessment of the performance and independence of the external auditors and make recommendation to the board pertaining to appointment, remuneration, re-appointment, and removal of external auditors.
- Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations;
- Pre-approve all audit and related services required by the Group as well as non-audit services carried out by the external auditors.
- Report regularly to the Board with respect to the Committee's activities and make recommendations as appropriate.

# Corporate Governance contd...

## Audit Committee Report

### Meetings

The procedure in place is for the Group Managing Director (GMD), Group Chief Financial Officer (GCFO), Group Chief Risk Officer (GCRO) and sector Chief Financial Officers to attend all meetings when scheduled. The Audit Committee met three times during the year under review and two of which were attended by the External Auditors of the Group. The Company Secretary acts as the Secretary to the Committee.

Besides this, procedures are in place to circulate the various documents stated hereunder and for clarification of matters raised by the members of the Audit Committee. Where necessary, approvals are given by circular resolutions.

The audit committee discharged its functions in terms of the charter and described to it in terms of the Act during the year under review as follows.

### Financial Reporting

The audit committee reviewed the quarterly and annual financial statements of the Group prior to publication to assure that the published financial statements fairly present the state of affairs of the Group. The Audit committee had discussions with the management and the external auditors on the annual financial statements. In all instances, the Audit Committee obtained a declaration from the GCFO 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 states any departures from financial reporting, statutory requirements and Group policies, (if any)

Quarterly Compliance Certificates were also obtained from the Finance, Legal, and Secretarial divisions of the Company on a standardized exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance, along with a Risk Management & Internal Audit Report submitted by the GCRO.

### Internal Audit, Controls and Risk Management

The Audit Committee reviewed the Internal Audit reports containing details of the audit coverage, compliance to the laws, regulations, established policies and procedures.

The Risk Management report containing detailed risk assessments and risk mitigation actions pertaining to different business units were reviewed by the Audit Committee to give assurance that risk management process is carried out in an effective manner.

The committee also reviewed and approved the Annual Internal Audit and Risk Management plan for the financial year 2017/18.

### External Audit

The Audit Committee obtained feedback from the external auditors on matters of importance such as the effectiveness of the internal controls over the preparation of the financial statements, significant issues encountered during the audit, proposed treatments for any material audit issues identified, etc.

The Audit Committee also met with the external auditors along with the management to discuss the external auditors' final management report on the audit of the financial statement of the Group for the year 2015/16.

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 obtained 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 statements of profit or loss and other comprehensive income, changes in equity, and cash flows of the Company and the Kotmale 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 2018.

*(Signed.)*

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

5 June 2017

### 2.2.2 Nominations Committee

The Nominations Committee of the ultimate parent Company (CTH) acts as the nominations committee of Kotmale Holdings PLC.

#### Composition

The Nominations Committee of the parent Company consists of the following members

1. Louis Page - Chairman, Non Independent
2. A T P Edirisinghe - Independent
3. Sunil Mendis - Independent
4. Ranjit Page - Non Independent

#### Scope

Scope of the Nominations Committee would be to review all appointments to the Board and recommend to the Board of Directors for appointment.

#### Meetings

The Committee meets once each year or as required.

### 2.2.3 Remuneration Committee Report

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 Members of the Remuneration Committee:

Name / Independence

Sunil Mendis - Chairman, Independent  
A. T. P. Edirisinghe - Independent

The Chairman and the Managing Director may also be invited to join in the deliberations as required.

The Committee also carries out periodic reviews to ensure that the remunerations are in line with market conditions. The committee met once during the year under review.

*(Signed.)*

**Sunil Mendis**

*Chairman – Remuneration Committee*

5 June 2017

### 2.2.4 Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) was appointed by the Board of Directors of the Company on 23 December 2015 and reports directly to the Board. The Committee comprise two members who are Non-Executive Directors who are deemed independent. The Chairman is a Fellow of the Institute of Chartered Accountants of Sri Lanka. The composition of the members of the Related Party Transactions Review Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies.

#### The Members of the Related Party Transactions Review Committee:

Name / Independence

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

The Company Secretary acts as the Secretary to the Committee.

#### Scope

The RPTRC was formed by the Board to assist the Board in reviewing all Related Party Transactions (RPT) carried out by the Company.

The mandate of the Committee includes inter-alia the assurance of the following:

- Developing and recommending for adoption by the Board of Directors of the Company a RPT Policy consistent with that proposed by the CSE.
- Making immediate market disclosures on applicable RPT, as required by Section 9 of the Continuing Listing Requirements of the CSE.
- Making appropriate disclosures on RPT in the Annual Report, as required by Section 9 of the Continuing Listing Requirements of the CSE.

#### Meetings

The Related Party Transactions Review Committee (RPTRC) met three times during the year. The meeting was attended by the Group Managing Director of the Company, with the participation of Group Chief Financial Officer (GCFO) and Group Chief Risk Officer (GCRO).

# Corporate Governance contd...

The Committee noted that there were no changes to practices followed over the years and general terms and conditions applicable to all trading transactions and Lease Agreements entered into with Related Parties are similar to those entered into with non-related parties taking to account, if any, due consideration of factors such as trading volumes, the long term nature of the Leases and the extent of the area occupied, etc.

*(Signed.)*

A.T. P. Edirisinghe FCMA, FCA,  
Chairman – Related Party Transactions Review Committee

5 June 2017

### 3. Leadership

#### 3.1 Board Leadership

The role of our Board of Directors includes setting the strategic direction of the Group, providing strong leadership and reporting to the shareholders on the stewardship of the Group.

The Board has a clear governance framework with defined responsibilities and accountabilities. Our Governance Framework ensures that policies and procedures set at Board level are effectively communicated across the whole business. These are designed to safeguard long-term shareholder value, through strategic execution and business performance delivery. Our governance framework supports integrated decision making and risk management.

We believe that an enlightened Board consciously creates a culture of leadership to provide a long-term vision and policy approach to improve the quality of governance. The Board's actions and decisions are aligned with the Company's best interests and focused towards creating sustainable value for all stakeholders.

The Group is conscious of the need to maintain an appropriate mix of skills and experience in the Board. Our Board at present comprises directors with diverse skills and vast experience in the field of business who are capable of steering the business towards achieving the Company goals and good governance.

While the Board plays an oversight role over the Group, the Chairman (Cargills) and his executive management are empowered to manage and lead the business on a day-to-day basis, guided by an approved delegation of authority.

#### 3.1.1 Board Responsibilities

The Board oversees the affairs of the Company and provides leadership and guidance to the Senior Management Team. Collectively, the Board and the Senior Management Team ensure the long-term success of the Company and discharge their statutory and fiduciary responsibilities, both individually and collectively. The key functions and responsibilities of the Board are:

	Roles and Responsibility
Strategy	<ul style="list-style-type: none"> <li>• Providing direction, guidelines, and approval of the Group's strategic direction and business plans as developed by the Management.</li> <li>• Directing, monitoring and assessing the Group's performance against strategic and business plans.</li> <li>• Approving and monitoring capital management including major capital expenditure, acquisitions and divestments.</li> <li>• Reviewing and approving the annual operating plans and financial budgets.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>• Ensuring a process is in place to identify the principal risks of the Group's businesses.</li> <li>• Reviewing, ratifying and assessing the integrity of the Group's systems of risk management, internal controls and compliance</li> </ul>
Management	<ul style="list-style-type: none"> <li>• Appointment and terms of engagement of the Chairman and ensuring that a process is in place such that the remuneration and conditions of service of executives are appropriate.</li> <li>• Ensuring that a process is in place for executive succession planning, and monitoring that process delegating authority to the Chairman.</li> </ul>
Performance	<ul style="list-style-type: none"> <li>• Evaluate the performance of the Board committees and individual Directors.</li> <li>• Establish and review succession plans for Board membership.</li> <li>• Review the performance of the Senior Management and the compensation framework for the Board, Executive Directors and Senior Management.</li> <li>• Monitor corporate performance and evaluate results compared to the strategic and annual plans.</li> </ul>

	Roles and Responsibility
Corporate Governance	<ul style="list-style-type: none"> <li>Establishing appropriate standards and encouraging ethical behaviour and compliance with the Group's policies.</li> <li>Monitoring the Company's compliance with corporate governance standards.</li> <li>Overseeing the process and framework for evaluating the adequacy of internal controls, risk management, financial reporting and compliance.</li> </ul>
Reporting and disclosure	<ul style="list-style-type: none"> <li>Approving and monitoring financial and other reporting, including reporting to shareholders and other stakeholders.</li> <li>Establishing procedures to ensure adherence to the Company's continuous reporting policy.</li> </ul>

The board continued to strive to ensure that ethics is the foundation of how the Company operates. Accordingly, the directors recognise their responsibility to set the tone from the top, by avoiding instances of conflict of interest and having the interests of the Company at the forefront of all decision making.

The Corporate Governance system at Kotmale demands our employees to enhance their competence and capability levels to meet the expectations in managing the enterprise and its resources effectively with the highest standards of ethics.

The Group is committed to the interests of our employees, customers, suppliers and the community whilst focusing on providing value to our shareholders. The Group's Code of Conduct aims to promote and strengthens the reputation of Kotmale by establishing a standard of performance, behaviour and professionalism for its people and stakeholders with respect to their professional and personal conduct.

### 3.1.2 Board meetings

The Chairman establishes the agendas for the Board meetings. Each Director is free to suggest items for inclusion in the agenda. Board papers relating to agenda are provided to Board members in advance, to allow the Directors to prepare for discussion of matters at the meeting. The Board reviews and approves the Strategic Plan and annual Operating and Financial plan for each business at the beginning of the year. Management presentations are made to the Board on monthly and year to date performance of each unit.

Separate Board meetings have not been held for Kotmale Holdings PLC as the Directors are common with that of Cargills (Ceylon) PLC, the holding Company for the Cargills Group to which Kotmale Holdings PLC and its subsidiaries belong to. The operations of Kotmale Holdings PLC / Group are regularly reviewed during the Board meetings of Cargills (Ceylon) PLC as part of the Sector reviews included thereon. The Board of Cargills (Ceylon) PLC met six times during the year under review. Approval of matters specific to Kotmale Holdings PLC are passed as Board Resolutions approved by circulation.

## 4. Business Practices and Ethics

The essence of corporate governance lies in promoting and maintaining integrity, transparency and accountability across the organization. Good governance is embedded in the Group's culture creating an enabling environment for growth in a structured, predictable and sustainable manner.

## 5. Strategic and Performance Management

The Corporate Governance plays an important role in strategic and performance management of the Group.

The primary role of Corporate Governance is to provide entrepreneurial leadership, to set and implement strategy within a framework of effective internal controls, and to ensure the best performance of resources for stakeholders.

The Corporate Governance, in the context of strategic management, refers to the set of internal rules and policies that determine how a Company is directed. The Group's corporate governance guidelines clearly define, for example, which strategic decisions can be decided by managers and which decisions must be decided by the board of directors or shareholders.

The Group has a robust strategic management process which involves all key internal stakeholders and led by the Chairman.

### 5.1 Strategic Management

The Group considers strategic planning as an essential first step in the development of a results-based accountability system. The strategic planning process of the Group sets the strategic direction and integrates all business activities. The planning process in place considers all stakeholders in goal setting and aims at effective use

# Corporate Governance contd...

of resources in order to optimize the deliverables to all stakeholders concerned. The careful analysis and scanning of external and internal environment of the Company enables the effective selection of suitable strategies.

The Group understands that the way chosen strategies are implemented can have a significant impact on its success. The Company therefore takes utmost care in effectively communicating the strategies at all levels of the organization and makes sure the employees are aware of their roles and responsibilities.

Constantly changing environment requires continuous review of both internal as well as external environment as new strengths, weaknesses, opportunities and threats may arise. If the new circumstances affect the Company, corrective actions are taken as soon as possible in order to make sure the strategies are on track to provide desired results.

## 5.2 Performance Management

The structured performance management system of the Group enables the Company to evaluate the performance of each business unit in the form of monthly reviews. The Company has a robust mechanism of building budgets at an integrated cross- functional level. The budgets are reviewed on a monthly basis so as to analyze the performance and take corrective action, wherever required.

The Group through its performance management system focuses on developing talents, organizing people to be more effective and motivate them to perform at their best. The system promotes targeted results in a transparent and systematic manner which ensures that the employees are productive, provide efficient services and demonstrate the required knowledge, skills, behaviour, competencies and engagement to perform their duties to the best of their ability.

The Company also continuously evaluates the performance of the employees periodically in order to identify gaps and take corrective actions. Employee evaluations and communication of the results thereof to those evaluated have become an essential aspect of their professional training.

The Group considers it a priority for the remuneration system to favour the strengthening of its human capital, as a key factor differentiating it from competitors. The Remuneration Committee plays an active role in making sure the remuneration to the Executive Directors and senior management are competitive to retain and motivate them.

The Board of Directors ensure that the amount of the remuneration of Non-Executive Directors is such that it provides incentives to their dedication while not risking their independence.

## 6. Controls, Assurance and Risk Management

The Group has adequate Systems of Internal Controls in place to ensure the orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

## 7. Legal and Regulatory Compliance

The Group is fully compliant with all the mandatory provisions of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange (CSE) and Rules of the Securities and Exchange Commission of Sri Lanka (SEC). The Group practices are in line with the Code of Best Practices on Corporate Governance jointly issued by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Company employees actively monitor the regulatory environments in order to keep in touch with the regulatory changes. The Company acknowledges that it is compliant with all other financial, legal and regulatory compliance requirements.

## 8. Disclosure and Transparency

Disclosure, reporting and transparency are fundamental components of the Company's corporate governance framework which ensure accountability to stakeholders and support them in making informed decisions.

The Group has policies and procedures that govern the provision of timely, accurate and complete information to stakeholders, in a manner which gives all stakeholders equal access to information.

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible in ensuring the accuracy and timeliness of published information and in presenting an honest and balanced assessment of results in the quarterly and annual financial statements.

## 9. Stakeholders Engagement

The Board values the Company's stakeholders and strives to take their concerns and interests into account when making business decisions. This not only enables it to anticipate and manage risk effectively, but also helps to identify new business opportunities and improve Group's relationship with its stakeholders.

The Company seeks to engage all stakeholders in accordance with Group's Stakeholders engagement policy which is based on two way communication, transparency, active listening and equal treatment. This allows their legitimate interests to be taken into consideration when business decisions are made.

The shareholders are given the opportunity at the AGM to get updates from the Chairman and Group CEO on the Group's performance, to ask questions, and to express a view and vote on the various matters of Company business on the agenda. Shareholders may also ask questions to the Company's external auditors at the meeting. The Company encourages its shareholders to attend its AGM and is committed to dealing with shareholder queries in a respectful and timely manner whenever they are received by the Company.

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.

The Company is fully compliant with the disclosure requirements prescribed by the Section 7.6 of the CSE Listing Rules. The below table describes the 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
<p><b>7.10.1 Non-Executive Directors</b></p> <p>The Board of Directors of a Listed Entity shall include at least, Two Non-Executive Directors; or Such number of Non-Executive Directors equivalent to one third of the total number of Directors whichever is higher.</p>	Complied	Company has 04 Non-Executive Directors and 02 Executive Directors on its Board.
<p>The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.</p>	Complied	The Company had 04 Non-Executive Directors and 02 Executive Directors at the conclusion of the last AGM.
<p>Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.</p>	Complied	There has not been any period of non-compliance as explained above.
<p><b>7.10.2 Independent Directors</b></p> <p>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'.</p> <p>In all other instances two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'Independent'</p>	Complied	02 of 04 (2/4) of Non-Executive Directors are determined to be Independent.

# Corporate Governance contd...

Corporate Governance Rule	Compliance Status	Details
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.
<p><b>7.10.3 Disclosures Relating to Directors</b></p> <p>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.'</p>	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 Profile of the Directors on page 05 and Note 01 on page 18.
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	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.
In addition to the disclosures relating to the Independence of a Director set out above, the Board shall publish in its annual report a brief resume of each Director on its Board which includes information on the nature of his/her expertise in relevant functional areas.	Complied	Please refer profile of Directors on page 05.
Upon appointment of a new Director to its Board, the Entity shall forthwith provide to the exchange a brief resume of such Director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	N/A	During the year there were no such appointments.

Corporate Governance Rule	Compliance Status	Details
<p><b>7.10.5 Remuneration Committee</b> A Listed Entity shall have a Remuneration Committee in conformity with the following:</p> <p><b>Composition</b> The Remuneration Committee shall comprise; of a minimum of two Independent Non-Executive Directors (in instances where an Entity has only two Directors of its board); or 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 Remuneration Committee of the Parent Company may be permitted to function as the Remuneration Committee of the subsidiary.</p> <p>However, if the Parent Company is not a Listed Entity, then the Remuneration Committee of the Parent Company is not permitted to act as the Remuneration Committee of the subsidiary. The subsidiary shall have a separate Remuneration Committee.</p> <p>One Non-Executive Director shall be appointed as Chairman of The Committee by the Board of Directors.</p>	<p>Complied</p> <p>N/A</p> <p>Complied</p> <p>Complied</p>	<p>The Remuneration Committee comprise 02 Non-Executive Directors who are deemed Independent.</p> <p>N/A</p> <p>The Remuneration Committee has been appointed specific to the Company.</p> <p>The Committee is chaired by Mr. Sunil Mendis, Non-Executive Director.</p>
<p><b>Functions</b> The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the Board of Listed Entity which will make the final determination upon consideration of such recommendations.</p>	<p>Complied</p>	<p>The Committee recommends to the Board the remuneration payable to the Key Executives. In recommending an appropriate remuneration package the primary objective of The Committee is to attract and retain the services of highly qualified and experienced personnel.</p>

# Corporate Governance contd...

Corporate Governance Rule	Compliance Status	Details
<p><b>(c) Disclosures</b></p> <p>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 02 Independent Non-Executive Directors as follows; Mr. Sunil Mendis (Chairman) Mr. A T P Edirisinghe
<p><b>7.10.6 Audit Committee</b></p> <p>A Listed Entity shall have an Audit Committee in conformity with the following:</p> <p><b>Composition</b></p> <p>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 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>Complied</p> <p>N/A</p>	<p>The Audit Committee comprise 02 Independent Non-Executive Directors as follows; Mr. A T P Edirisinghe (Chairman) Mr. Sunil Mendis</p> <p>N/A</p>

Corporate Governance Rule	Compliance Status	Details
<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>	Complied	The Audit Committee has been appointed specific to the Company.
<p>One non-executive Director shall be appointed as Chairman of The Committee by the Board of Directors.</p>	Complied	The Committee is chaired by Mr. A T P Edirisinghe, a Non-Executive Director.
<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>	Complied	Please refer Audit Committee Report on page 08.
<p>The Chairman or one member of the Committee should be a member of a recognised professional accounting body.</p>	Complied	The Chairman of the Committee is a Fellow of CA Sri Lanka and CIMA (UK).
<p><b>Functions</b> Shall include, 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).</p> <p>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.</p> <p>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.</p> <p>Assessment of the Independence and performance of the Entity's external auditors.</p> <p>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	Please refer Audit Committee Report on page 08.

# Corporate Governance contd...

Corporate Governance Rule	Compliance Status	Details
(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.	Complied	Please refer inner back cover.
The Committee shall make a determination of the Independence of the Auditors and shall disclose the basis for such determination in the Annual Report.	Complied	Please refer Audit Committee Report on page 08.
The Annual Report shall contain a report by the Audit Committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the Annual Report relates.	Complied	Please refer Audit Committee Report on page 08.

The below table describes the Company's adherence to the Provisions of Rule 9.3.2 as required by the Listing Rules of the Colombo Stock Exchange on disclosure in Annual Reports of Listed Entities:

(d) Disclosure of all material facts involving all material transactions including related party transactions	Complied	Please refer Note 26 (d) on page 63.
---	----------	--------------------------------------

#### 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. which in turn is the sole owner of Cargills Quality Dairies (Pvt) Ltd. which is the 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 the Company is in discussions with the CSE/SEC in this regard.

Code of Best practice of Corporate Governance Issued Jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA - Sri Lanka)

	Principle	Status	Details/Reference
<b>A.</b>	<b>Directors</b>		
<b>A.1</b>	<b>The Board</b>		
A.1.1	Regular Board meetings, at least once in every quarter and supply of information	In place	Corporate Governance Report – Section 3.1.2
A.1.2	The Board is to provide entrepreneurial leadership by undertaking responsibilities for; <ul style="list-style-type: none"> <li>• Strategy formulation and implementation</li> <li>• Skills and succession of the key management personnel</li> <li>• Integrity of information, internal controls, business continuity and risk management</li> <li>• Compliance with laws, regulations and ethical standards</li> <li>• Consideration of all stakeholder interests in decision making</li> <li>• Sustainable business development</li> <li>• Adopting appropriate accounting policies and compliance with financial regulations</li> </ul>	In place	Corporate Governance Report – Section 3.1.1
A.1.3	The Board collectively and the directors individually must act in accordance with the laws of the country and obtain independent professional advice where necessary	In place	
A.1.4	All Directors should have access to the advice and services of the Company Secretary	In place	
A.1.5	All Directors should bring independent judgment to bear on issues of strategy, performance, resources and business conduct	In place	
A.1.6	Every Director should dedicate adequate time and effort to matters of the Board and the Company	In place	
A.1.7	Board induction and training	In place	
<b>A.2</b>	<b>Chairman and Chief Executive Officer</b>		
A.2.1	Justification for combining the posts of Chairman and CEO in one person	N/A	N/A
<b>A.3</b>	<b>Chairman's Role</b>		
A.3.1	The Chairman should conduct board proceedings in a proper manner and ensure; <ul style="list-style-type: none"> <li>• The effective participation and contribution of the Directors.</li> <li>• A balance of power between Executive and Non-Executive Directors</li> <li>• The views of Directors on issues under consideration are ascertained</li> <li>• The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders</li> </ul>	In place	
<b>A.4</b>	<b>Financial Acumen</b>		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance	In place	

## Corporate Governance contd...

	Principle	Status	Details/Reference
<b>A.5</b>	<b>Board Balance</b>		
A.5.1	At least 2 members or one third of the Board, whichever is higher should be NEDs as at the conclusion of immediately preceding AGM. Any change to this ratio should be rectified within 90 days.	In place	Corporate Governance Report – Section 2.1
A.5.2	Where the constitution of the Board of Directors includes only two NEDs, both such NEDs should be independent	N/A	N/A
A.5.3	Definition of independent Directors	In place	Corporate Governance Report – Section 2.1.2
A.5.4	Each NED should submit annually a signed and dated declaration of his/her independence or non-independence.	In place	Corporate Governance Report – Section 2.1.2
A.5.5	The Board should determine the independence or otherwise of the NEDs based on the guidelines provided	In place	Corporate Governance Report – Section 2.1.2
A.5.6	If an alternate Director is appointed by a NED such Director should not be an executive of the Company. If an alternate Director is appointed by an independent Director such Director also should meet the criteria of independence	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent NEDs to be the “Senior Independent Director” (SID)	N/A	N/A
A.5.8	The SID should make himself available for confidential discussions with other Directors who may have concerns	N/A	N/A
A.5.9	The Chairman should hold meetings only with NEDs as necessary and at least once in each year	In place	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes	In place	
<b>A.6</b>	<b>Supply of information</b>		
A.6.1	The management should provide the Board with appropriate and timely information	In place	
A.6.2	The minutes, agenda and papers required for a meeting should be provided to the Directors at least seven days before the meeting	In place	
<b>A.7</b>	<b>Appointments to the Board</b>		
A.7.1	A Nominations Committee should be established and its chairman and members should be disclosed in the Annual Report	In Place	Corporate Governance Report – Section 2.2.2
A.7.2	The Nominations Committee should annually assess the combined knowledge and experience of the Board.	In Place	
A.7.3	Upon the appointment of a new Director, a brief resume, the nature of expertise, details of directorship in other companies, independence/non independence in the Board of the new Director should be disclosed to shareholders	In place	

	Principle	Status	Details/Reference
<b>A.8</b>	<b>Re – Election</b>		
A.8.1	NEDs should be appointed for specified terms subject to re-election/removal and their re-appointment should not be automatic	In place	Corporate Governance Report – Section 2.1.4
A.8.2	All Directors including Chairman should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years	In place	Corporate Governance Report – Section 2.1.4
<b>A.10</b>	<b>Disclosure of Information in respect of Directors</b>		
A.10.1	The Annual Report should disclose details of each Director such as qualifications, expertise, immediate family/material business relationship with other Directors, status of independence, directorship in other companies, membership in Board Committees and details of attendance to Board meetings and committee meetings if relevant.	In place	Profile of Directors on page 05.
<b>A.11</b>	<b>Appraisal of Chief Executive Officer (CEO)</b>		
A.11.1	At the commencement of every fiscal year, the Board in consultation with the CEO should set financial and non-financial targets for the year.	In place	
A.11.2	The performance of the CEO in meeting the set targets should be evaluated by the Board at the end of each fiscal year	In place	
<b>B.</b>	<b>Directors’ Remuneration</b>		
<b>B.1</b>	<b>Remuneration Procedure</b>		
B.1.1	The Board Should set up a Remuneration Committee	In place	Corporate Governance Report – Section 2.2.3
B.1.2	The Remuneration Committee should consist exclusively of NEDS and should have a Chairman appointed by the Board	In place	Corporate Governance Report – Section 2.2.3
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report	In place	Corporate Governance Report – Section 2.2.3
B.1.4	The Board as a whole should determine the remuneration of NEDs	In place	
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other EDs	In place	
<b>B.2</b>	<b>The level and make up of Remuneration</b>		
B.2.1	The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors and should avoid paying more than necessary	In place	Corporate Governance Report – Section 2.2.3
B.2.2	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies	In place	Corporate Governance Report – Section 2.2.3
B.2.3	The Remuneration Committee should be sensitive to remuneration and employment conditions elsewhere in the Company or Group of which it is a part, especially when determining annual salary increases.	In place	

# Corporate Governance contd...

	Principle	Status	Details/Reference
B.2.4	The performance-related elements of remuneration of Executive Directors should be designed and tailored to align their interests with those of the Company and main stakeholders and to give these Directors appropriate incentives to perform at the highest levels.	In place	
B.2.5	Executive share option should not be offered at a discount	N/A	
B.2.6	The Remuneration Committee should follow the given guidelines in designing schemes of performance related remuneration	In place	
B.2.7/ B.2.8	The Remuneration Committee should appropriately decide on compensation commitments of Directors	In place	
B.2.9	The Remuneration of NEDs should reflect the time commitment, responsibilities and market practices	In place	
<b>B.3</b>	<b>Disclosure of Remuneration</b>		
B.3.1	The Annual Report should include the names of the Remuneration committee members, a statement of remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors	In place	Remuneration committee Report on page 09. The aggregate remuneration paid to the Directors is given in the Note 6 to the financial statements.
<b>C.</b>	<b>Relations with Shareholders</b>		
<b>C.1</b>	<b>Constructive use of Annual General Meeting (AGM) and conduct of general meetings</b>		
C.1.1	The Company should count all proxy votes with respect to each resolution	In place	
C.1.2	The Company should propose a separate resolution at the AGM on each substantially separate issue	In place	
C.1.3	Chair persons of Board Committees should be available at the AGM to answer questions	In place	
C.1.4	The Notice for AGM and related papers should be sent to the shareholders before the meeting as per the relevant statute	In place	
C.1.5	A summary of proceedings governing voting should be circulated with every Notice of General Meeting	In place	
<b>C.2</b>	<b>Communication with shareholders</b>		
C.2.1	There should be a channel to reach all shareholders in order to disseminate timely information	In place	
C.2.2/ C.2.3/ C.2.4	The Company should disclose; <ul style="list-style-type: none"> <li>• Policy and methodology for communication with shareholders</li> <li>• How the above policy and methodology will be implemented</li> <li>• The contact person for such communication</li> </ul>	In place	
C.2.5	A process to make all Directors aware of major issues and concerns of shareholders should be in place and disclosed.	In place	
C.2.6	The Company should decide the person to contact in relation to shareholders' matters	In place	
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	In place	

	Principle	Status	Details/Reference
<b>C.3 Major and Material Transactions</b>			
C.3.1	Directors should disclose to shareholders all proposed material transactions including related party transaction	In place	
<b>D. Accountability and Audit</b>			
<b>D.1 Financial Reporting</b>			
D.1.1	The Board should present the interim, other price sensitive reports and reports to regulators	In place	
D.1.2	The Annual Report should contain a Report from Directors declaring; <ul style="list-style-type: none"> <li>• The Company has not engaged in any unlawful activities</li> <li>• All material interests of Directors in contracts involving the Company</li> <li>• The equitable treatment of shareholders</li> <li>• The business is a going concern</li> <li>• The review of internal controls and risk management</li> </ul>	In place	Annual Report of the Directors' on the affairs of the Company on pages 30 and 31.
D.1.3	The Annual Report should contain a Statement of Directors' Responsibility	In place	Statement of Directors' Responsibilities on page 32.
D.1.4	The Annual Report should contain a "Management Discussion and Analysis"	In place	Chairman's Review on page 04.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	In place	Annual Report of the Directors' on the affairs of the Company on pages 30 and 31.
D.1.6	In the event the net assets of the Company fall below 50% of the value of the Company's shareholders' funds, the Directors shall forthwith summon an Extraordinary General Meeting to notify shareholders of the position and of remedial action being taken.	In place	
D.1.7	The Board should adequately and accurately disclose the related party transactions in the Annual Report	In place	Note 15 to the financial statements
<b>D.2 Internal Control</b>			
D.2.1	The Directors should, at least annually, conduct a review of the risks facing the Company and the effectiveness of the system of internal controls	In place	
D.2.2	Companies should have an internal audit function.	In place	
D.2.3/ D.2.4	The Board should maintain a sound system of internal controls and require Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls	In place	
<b>D.3 Audit Committee</b>			
D.3.1	The Audit Committee should be comprised of a minimum of two independent NEDs or exclusively of NEDS, a majority of whom should be independent	In place	Corporate Governance Report – Section 2.2.1
D.3.2	The Audit Committee should keep under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the auditors	In place	Corporate Governance Report – Section 2.2.1
D.3.3	The Audit Committee should have a written terms of reference, dealing clearly with its authority and duties	In place	

## Corporate Governance contd...

	Principle	Status	Details/Reference
D.3.4	The annual report should include the names of the audit committee members, the basis for the determination of the independence of the external auditors and a report of the AC setting out the manner of compliance with the above requirements during the specified period	In place	Corporate Governance Report – Section 2.2.1
<b>D.4 Code of Business Conduct and Ethics</b>			
D.4.1	The Company should disclose whether the code of business conduct and ethics for directors and key management personnel is in place and whether all directors and key management personnel have declared their compliance with such codes.	In place	
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	In place	
<b>D.5 Corporate Governance Disclosures</b>			
D.5.1	The Directors should include a Corporate Governance Report In the Annual Report	In place	
<b>E. Institutional Investors</b>			
<b>E.1 Shareholder Voting</b>			
E.1.1	The Company should contact regular and structured dialogue with shareholders based on a mutual understanding of objectives	In place	Corporate Governance Report – Section 9
<b>E.2 Evaluation of Governance Disclosures</b>			
E.2.1	When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	In place	
<b>F. Other Investors</b>			
<b>F.1 Investing/Divesting Decisions</b>			
F.1.	Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	In place	
<b>F.2 Shareholder Voting</b>			
F.2	Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights	In place	

# 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 affecting 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 Management contd...

Risk	Mitigating Actions
<b>Business risk</b>	
<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 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>
<b>Reputational risk</b>	
<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 endeavor to develop strategy that reflects their interests. We try to ensure that our strategy reflects those interests.</p>
<b>Product safety</b>	
<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>
<b>Health and safety risks</b>	
<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>

Risk	Mitigating Actions
<b>IT systems and infrastructure</b>	
<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>
<b>Regulatory and political environment</b>	
<p>Due to the diverse nature of the businesses, we are subject to a wide variety of regulations prevailing in the country.</p>	<p>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.</p>
<b>Funding and liquidity</b>	
<p>The Group finances its operations by a combination of retained earnings and via long term and short term borrowings.</p>	<p>The Group maintains a portfolio of banking institutions to cater to all funding requirements and to obtain them on favorable terms. Healthy relationship with the bankers makes borrowing at comparatively short notice more feasible.</p>
<b>Interest rate risk</b>	
<p>The Group needs to limit its exposure to increases in interest rates while retaining the opportunity to exploit interest rate reductions.</p>	<p>The Group manages interest rate fluctuations with an appropriate mix of fixed and variable rate debts through a centralised treasury management function, where appropriate.</p>
<b>Credit risk</b>	
<p>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.</p>	<p>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.</p>
<b>Foreign exchange rate risk</b>	
<p>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.</p>	<p>The Group manages foreign exchange exposure through appropriate financial risk management techniques.</p>



## Financial Reports

Annual Report of the Directors' on the Affairs of the Company	<b>30</b>
Statement of Directors' Responsibilities	<b>32</b>
Independent Auditors' Report	<b>33</b>
Statement of Profit or Loss and Other Comprehensive Income	<b>34</b>
Statement of Financial Position	<b>35</b>
Statement of Changes in Equity	<b>36</b>
Statement of Cash Flows	<b>38</b>
Notes to the Financial Statements	<b>39</b>

# 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 2017. Which were approved by the Board of Directors on 5 June 2017.

## Activities

The principal business activities of the Group / Company remained unchanged from the previous year as manufacturing and distribution of dairy products.

## Financial Statements

The Audited Financial Statements comprising the Statements of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements of the Company and the Group for the financial year ended 31 March 2017 are given on pages 34 to 68 forming an integral part of the Annual Report of the Board.

## Auditors' Report

The auditors' report is set out on page 33.

## Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on pages 39 to 48. There were no significant changes to the accounting policies of the Group during the year.

## Dividends

A final dividend of Rs. 0.20 per share (Rs. 6.28 Mn) was paid on 13 October 2016 for the year ended 31 March 2016. An interim dividend of Rs. 13.10 per share (Rs. 411.34 Mn) was paid on 29 March 2017 for the year ended 31 March 2017.

## Reserves

The total reserves of the Group stands at Rs. 689 Mn. (2016 - Rs. 891 Mn.), while the total reserves of the Company stand at Rs. 24 Mn. (2016 - Rs. 57 Mn)

## Stated Capital

Stated capital of the Company as at 31 March 2017 was Rs. 314 Mn. (2016 Rs. 314 Mn) The details of the stated capital are given in note 17 to the financial statements on page 57.

## Capital Expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 134 Mn (2016 - Rs. 43 Mn) while no capital expenditure was incurred by the Company during the year (2016 - Nil). Details are given in note 10 to the financial statements on pages 53 and 54.

The movement of property, plant and equipment during the year is given in note 10 to the financial statements on pages 53 and 54.

## Market Value of Properties

The Group land and buildings were revalued as at 31 March 2016. Details are given in note 10 (f) to the financial statements on page 54.

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 344 registered shareholders as at 31 March 2017 (2016 - 3).

An analysis of shareholdings according to the size of holding and the names of the shareholders is given on pages 70 to 72.

## Directorate

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

Mr. P. S. Mathavan retires by rotation in terms of the Company's Articles of Association, and being eligible offers himself for re-election.

Messrs. A T P Edirisinghe and Sunil Mendis also retire in terms of Section 210 (2) (b) of the Companies Act No. 7 of 2007 having surpassed the age of seventy years and offer themselves 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 26 (a) on page 62 to the consolidated financial statements.

#### Directors' Interests in Contracts

The Directors' interests in contracts and proposed contracts with the Company are included in note 26 (b) to the financial statements on page 62. 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.

#### Statement of Compliance with Related Party Transactions Rules

Directors' hereby confirm that the Company is in compliance with section 9 of the Listing Rules of the Colombo Stock Exchange in respect of the related party transactions entered into by the Company during the year.

#### 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	2017	2016
Mr. V R Page	Nil	Nil
Mr. M I Abdul Wahid	Nil	Nil
Mr. P S Mathavan	Nil	Nil
Mr. A T P Edirisinghe	Nil	Nil
Mr. Sunil Mendis	Nil	Nil
Mr. J C Page	Nil	Nil

#### Donations

During the year no donations (2016 - Rs. Nil) had been made by the Company and the Group.

#### 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 25 to the financial statements on page 61.

#### 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.

#### 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  
Chairman

(Signed.)  
P S Mathavan  
Director

(Signed.)  
S L W Dissanayake  
Company Secretary

5 June 2017

# 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 statements of profit or loss and other 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 33.

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*

5 June 2017

# 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  
**Internet** : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## 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 March 31, 2017, and the statements of profit or loss and other 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 34 to 68 of the annual report.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness

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

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above
- b) In our opinion:
  - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company give a true and fair view of its financial position as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

(Signed.)

CHARTERED ACCOUNTANTS

Colombo

5 June 2017

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

Principals - S.R.I. Perera FCMA(UK), LLB. Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACMA (UK)

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	2	2,132,962,210	1,840,417,164	-	-
Cost of sales	3	(1,620,025,101)	(1,370,880,706)	-	-
Gross profit		512,937,109	469,536,458	-	-
Other income	4	103,668,296	89,660,725	418,277,427	87,740,136
Distribution expenses		(245,896,564)	(238,604,380)	-	-
Administrative expenses		(115,827,377)	(94,481,224)	(26,384,428)	(24,179,285)
<b>Result from operating activities</b>		<b>254,881,464</b>	<b>226,111,579</b>	<b>391,892,999</b>	<b>63,560,851</b>
Net finance income	5	93,541,944	54,862,912	18,486,881	7,527,023
<b>Profit before taxation</b>	6	<b>348,423,408</b>	<b>280,974,491</b>	<b>410,379,880</b>	<b>71,087,874</b>
Tax expense	7	(132,056,849)	(77,603,365)	(25,482,392)	(19,817,475)
<b>Profit for the year</b>		<b>216,366,559</b>	<b>203,371,126</b>	<b>384,897,488</b>	<b>51,270,399</b>
<b>Other comprehensive income / (expense)</b>					
Revaluation of land and building	10	-	26,596,093	-	-
Actuarial losses on employee benefits	20	(2,132,653)	(758,592)	-	-
Tax on other comprehensive income		597,143	(1,214,501)	-	-
Other comprehensive income / (expense) for the year, net of tax		(1,535,510)	24,623,000	-	-
<b>Total comprehensive income for the year</b>		<b>214,831,049</b>	<b>227,994,126</b>	<b>384,897,488</b>	<b>51,270,399</b>
Earnings per share - basic / diluted (Rs.)	8	6.89	6.48	12.26	1.63

Figures in brackets indicate deductions.

The accounting policies and notes from pages 39 to 68 form an integral part of these financial statements.

# Statement of Financial Position

As at 31 March,	Notes	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	10	413,471,391	321,526,739	-	-
Intangible assets	11	55,863,274	55,863,274	-	-
Investments in subsidiaries	12	-	-	185,400,000	185,400,000
<b>Total non-current assets</b>		<b>469,334,665</b>	<b>377,390,013</b>	<b>185,400,000</b>	<b>185,400,000</b>
<b>Current assets</b>					
Inventories	13	150,643,201	101,386,277	-	-
Trade and other receivables	14	189,579,742	128,302,139	4,219,427	2,874,522
Amounts due from related companies	15	86,764,049	61,375,943	44,575,982	75,099,355
Short term investments	16.c	477,522,202	849,344,626	102,283,948	121,048,257
Cash and cash equivalents	16.a	38,792,748	41,050,258	22,755,279	2,772,863
<b>Total current assets</b>		<b>943,301,942</b>	<b>1,181,459,243</b>	<b>173,834,636</b>	<b>201,794,997</b>
<b>Total assets</b>		<b>1,412,636,607</b>	<b>1,558,849,256</b>	<b>359,234,636</b>	<b>387,194,997</b>
<b>EQUITY</b>					
Stated capital	17	314,000,000	314,000,000	314,000,000	314,000,000
Reserves	18	119,752,618	119,752,618	3,054,017	3,054,017
Retained earnings		568,885,116	771,674,067	21,072,839	53,795,351
<b>Total equity</b>		<b>1,002,637,734</b>	<b>1,205,426,685</b>	<b>338,126,856</b>	<b>370,849,368</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	19	34,157,170	34,102,171	-	-
Employee benefits	20	26,311,423	21,237,009	-	-
<b>Total non-current liabilities</b>		<b>60,468,593</b>	<b>55,339,180</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Trade and other payables	21	213,340,156	203,193,317	7,503,232	4,913,728
Amounts due to related companies	15	4,313,381	8,229,240	3,423,856	5,096,939
Current tax liabilities		130,984,230	86,609,986	10,180,692	6,334,962
Bank overdrafts	16.b	892,513	50,848	-	-
<b>Total current liabilities</b>		<b>349,530,280</b>	<b>298,083,391</b>	<b>21,107,780</b>	<b>16,345,629</b>
<b>Total liabilities</b>		<b>409,998,873</b>	<b>353,422,571</b>	<b>21,107,780</b>	<b>16,345,629</b>
<b>Total equity and liabilities</b>		<b>1,412,636,607</b>	<b>1,558,849,256</b>	<b>359,234,636</b>	<b>387,194,997</b>

The accounting policies and notes from pages 39 to 68 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.)

Saranga Wijesundara  
Chief Financial Officer - Manufacturing and Restaurants

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  
Chairman

(Signed.)

P S Mathavan  
Director

# Statement of Changes in Equity

	Stated capital Rs.	Capital reserves Rs.	Revaluation reserve Rs.	General reserve Rs.	Retained earnings Rs.	Total Rs.
<b>Group</b>						
Balance as at 1 April 2015	314,000,000	1,784,545	91,529,414	1,269,472	586,454,667	995,038,098
Super gain tax (Note 7.iii)	-	-	-	-	(11,325,539)	(11,325,539)
Adjusted balance as at 1 April 2015	314,000,000	1,784,545	91,529,414	1,269,472	575,129,128	983,712,559
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	203,371,126	203,371,126
Other comprehensive income	-	-	25,169,187	-	(546,187)	24,623,000
Total comprehensive income for the year	-	-	25,169,187	-	202,824,939	227,994,126
<b>Transactions with owners, recognized directly in equity</b>						
Final dividend paid - 2014/15	-	-	-	-	(6,280,000)	(6,280,000)
<b>Balance as at 31 March 2016</b>	<b>314,000,000</b>	<b>1,784,545</b>	<b>116,698,601</b>	<b>1,269,472</b>	<b>771,674,067</b>	<b>1,205,426,685</b>
Balance as at 1 April 2016	314,000,000	1,784,545	116,698,601	1,269,472	771,674,067	1,205,426,685
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	216,366,559	216,366,559
Other comprehensive income	-	-	-	-	(1,535,510)	(1,535,510)
Total comprehensive income for the year	-	-	-	-	214,831,049	214,831,049
<b>Transactions with owners, recognized directly in equity</b>						
Final dividend paid - 2015/16	-	-	-	-	(6,280,000)	(6,280,000)
Interim dividend paid - 2016/17	-	-	-	-	(411,340,000)	(411,340,000)
<b>Balance as at 31 March 2017</b>	<b>314,000,000</b>	<b>1,784,545</b>	<b>116,698,601</b>	<b>1,269,472</b>	<b>568,885,116</b>	<b>1,002,637,734</b>

	Stated capital Rs.	Capital reserves Rs.	Revaluation reserve Rs.	General reserve Rs.	Retained earnings Rs.	Total Rs.
<b>Company</b>						
Balance as at 1 April 2015	314,000,000	1,784,545	-	1,269,472	16,755,034	333,809,051
Super gain tax (Note 7.iii)	-	-	-	-	(7,950,082)	(7,950,082)
Adjusted balance as at 1 April 2015	314,000,000	1,784,545	-	1,269,472	8,804,952	325,858,969
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	51,270,399	51,270,399
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	51,270,399	51,270,399
<b>Transactions with owners of the Company, recognized directly in equity</b>						
Final dividend paid - 2014/15	-	-	-	-	(6,280,000)	(6,280,000)
<b>Balance as at 31 March 2016</b>	<b>314,000,000</b>	<b>1,784,545</b>	<b>-</b>	<b>1,269,472</b>	<b>53,795,351</b>	<b>370,849,368</b>
Balance as at 1 April 2016	314,000,000	1,784,545	-	1,269,472	53,795,351	370,849,368
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	384,897,488	384,897,488
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	384,897,488	384,897,488
<b>Transactions with owners of the Company, recognized directly in equity</b>						
Final dividend paid - 2015/16	-	-	-	-	(6,280,000)	(6,280,000)
Interim dividend paid - 2016/17	-	-	-	-	(411,340,000)	(411,340,000)
<b>Balance as at 31 March 2017</b>	<b>314,000,000</b>	<b>1,784,545</b>	<b>-</b>	<b>1,269,472</b>	<b>21,072,839</b>	<b>338,126,856</b>

Figures in brackets indicate deductions.

The accounting policies and notes from pages 39 to 68 form an integral part of these financial statements.

# Statement of Cash Flows

For the year ended 31 March,	Note	Group		Company	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Cash flows from operating activities</b>					
Profit before taxation		348,423,408	280,974,491	410,379,880	71,087,874
<b>Adjustments for:</b>					
Depreciation	10	41,807,331	33,980,117	-	-
Employee benefits	20	4,991,116	3,955,718	-	-
Net finance income	5	(93,541,944)	(54,862,912)	(18,486,881)	(7,527,023)
Inventory write-off		-	247,791	-	-
Write-off of WHT		-	353	-	-
Write back of creditors		(1,545,183)	-	-	-
Gain on disposal of property, plant and equipments		(530,717)	-	-	-
Provision / (reversal) for trade and other receivables		(2,413,429)	(1,538,085)	-	-
Operating profit before working capital changes		297,190,582	262,757,473	391,892,999	63,560,851
<b>Changes in working capital:</b>					
(Increase) / Decrease in inventories		(49,256,924)	(22,281,338)	-	-
(Increase) / Decrease in trade and other receivables		(82,143,828)	(18,643,175)	(13,703,069)	(9,157,662)
(Increase) / Decrease in related company receivables		(25,388,106)	(7,426,511)	30,523,373	28,152,718
Increase / (Decrease) in trade and other payables		(35,278,508)	18,071,118	(7,204,244)	(5,606,196)
Increase / (Decrease) in related company payables		(3,915,859)	(9,457,486)	(1,673,083)	4,874,601
Cash generated from operations		101,207,357	223,020,081	399,835,976	81,824,312
Interest paid	5.2	(696,244)	(689,102)	(63,592)	(25,600)
Gratuity paid	20	(2,049,355)	(1,200,085)	-	-
Super gain tax paid		-	(11,325,539)	-	(7,950,082)
Tax paid		(26,574,027)	(47,316,263)	(9,278,498)	(13,044,666)
Net cash generated from operating activities		71,887,731	162,489,092	390,493,886	60,803,964
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment	10	(133,772,804)	(43,401,052)	-	-
Proceeds from sale of property, plant and equipment	10	551,538	1,441,263	-	-
Interest income	5.1	94,238,188	55,552,014	18,550,473	7,552,623
Net cash generated from investing activities		(38,983,078)	13,592,225	18,550,473	7,552,623
<b>Cash flows from financing activities</b>					
Dividend paid		(407,826,252)	(6,126,512)	(407,826,252)	(6,126,512)
Net cash used in financing activities		(407,826,252)	(6,126,512)	(407,826,252)	(6,126,512)
Net increase in cash and cash equivalents		(374,921,599)	169,954,805	1,218,107	62,230,075
<b>Movement in cash and cash equivalents</b>					
At the beginning of the year		890,344,036	720,389,231	123,821,120	61,591,045
Movement during the year		(374,921,599)	169,954,805	1,218,107	62,230,075
At the end of the year	16-b	515,422,437	890,344,036	125,039,227	123,821,120

Figures in brackets indicate deductions.

The accounting policies and notes from pages 39 to 68 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.

### 1.1.1 Consolidated Financial Statements

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

### 1.1.2 Parent Entity & Ultimate Parent Entity

The Company's parent entity is Cargills Quality Dairies (Pvt) Ltd., and the Company's ultimate parent entity is CT Holdings PLC which is a Quoted Public Limited Liability Company domiciled in Sri Lanka and listed in Colombo Stock Exchange.

### 1.1.3 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 Marketing (Pvt) Ltd.

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

Kotmale Milk Products Ltd. and Kotmale Milk Foods Ltd., have ceased operations and the board of directors of the companies are currently in the process of evaluating the various business opportunities.

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

## 1.1.4 Responsibility for Financial Statements

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

The responsibility of the Directors in relation to the Financial Statements is set out in "The Statement of Directors' Responsibility" on page 32 to in the Annual report.

## 1.2 Basis of Preparation

### 1.2.1 Statement of Compliance

The consolidated financial statements which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes 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 and listing rules of Colombo Stock Exchange.

### 1.2.2 Approval of Financial Statements by the Board of Directors

The Financial Statements were approved and authorised for issue by the Board of Directors on 5 June 2017.

### 1.2.3 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for defined benefit obligations which 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.

### 1.2.4 Presentation and Functional Currency

These consolidated financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency.

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

# Notes to the Financial Statements contd...

## 1.2.5 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 20 - Employee benefits

## 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 entities that are controlled by the Group. 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. The Company is presumed to control an investee when it is exposed, or has right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are stated at cost, net of any impairment losses which are charged to the Profit or Loss in the Company's Financial Statements and it is in accordance with the Sri Lanka Accounting Standard LKAS 27 on 'Consolidated and Separate Financial Statements'.

#### 1.3.1.3 Business Combinations and Goodwill

Business combinations are accounted for using the Acquisition method as per the requirements of Sri Lanka Accounting Standard - SLFRS 03 (Business Combinations).

The Group and the Company measure goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net amount of the identifiable assets, liabilities and contingent liabilities acquired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Statement of Profit or Loss.

#### 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

All foreign currency transactions are translated into the functional currency which is Sri Lankan Rupees (Rs.) at the spot exchange rate at the date of the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are translated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

### 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 every three years.

##### 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.

##### 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 derecognized.

##### 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.

# Notes to the Financial Statements contd...

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. The Group's intangible assets include goodwill arising on the acquisition of subsidiaries.

### 1.5.3 Financial Instruments – Initial Recognition and Subsequent Measurement

#### 1.5.3.1 Classification and Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss as per the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

#### 1.5.3.2 Classification and Subsequent Measurement of Financial Assets

At inception a financial asset is classified under one of the following categories:

- i) Financial Assets at Fair Value Through Profit or Loss (FVTPL);
  - Financial Assets - Held for trading or
  - Financial Assets - Designated at fair value through profit or loss
- ii) Loans and Receivables (L&R);
- iii) Financial Assets - Held to Maturity (HTM); or
- iv) Available-For-Sale (AFS) financial assets.

The subsequent measurement of Financial Assets depends on their classification.

##### 1.5.3.2.1 Financial Assets at Fair Value through Profit or Loss (FVTPL)

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

##### Financial Assets - Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Financial assets investments held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'other income'. Interest and dividend income is recorded in 'other income' according to the terms of the contract, or when the right to receive the payment has been established.

##### Financial Assets - Designated at Fair Value through Profit or Loss

The Group and Company designates financial assets at fair value through profit or loss in the following circumstances;

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows that would otherwise have been required under the contract.

Financial assets designated at fair value through profit or loss is recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in other income as net gain or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned is accrued in 'interest income' using EIR while dividend income is recorded in 'other income' when the right to receive the payment has been established.

#### 1.5.3.2.2 Available for Sale Financial Assets

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

After initial measurement, available for sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (Other Comprehensive Income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognised in the Statement of Profit or Loss in 'Other income'. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial assets are reported as interest income using the effective interest rate (EIR).

Dividends earned whilst holding available for sale financial investments are recognised in the Statement of Profit or Loss as 'Other income' when the right of the income has been established. The losses arising from impairment of such investments are recognised in the Statement of Profit or Loss and removed from the 'Available for sale reserve'.

#### 1.5.3.2.3 Financial Assets Classified as Loans and Receivables

Financial assets classified as loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and Company intends to sell immediately or in the near term and those that, upon initial recognition, designates as at fair value through profit or loss
- Those that the Group and Company, upon initial recognition, designates as available for sale
- Those for which the Group and Company may not recover substantially all of its initial investment, other than because of credit deterioration

After initial measurement, 'Loans and receivables' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the Profit or Loss. The losses arising from impairment are recognised in the Profit or Loss.

#### 1.5.3.3 Classification and Subsequent Measurement of Financial Liabilities

At the inception the Group and Company determines the classification of its financial liabilities. Accordingly financial liabilities are classified as:

- i) Financial liabilities at fair value through profit or loss (FVTPL)
  - Financial liabilities held for trading
  - Financial liabilities designated at fair value through profit or loss
- ii) Financial liabilities at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

##### 1.5.3.3.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and changes there in recognised in profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. This category includes derivative financial instruments entered into by the Group and Company that are not designated as hedging instruments in hedge relationships as defined by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

# Notes to the Financial Statements contd...

## 1.5.3.3.2 Financial Liabilities at Amortised Cost

Financial Instruments where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using the EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the Statement of Profit or Loss. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

## 1.5.3.4 Reclassification of Financial Instruments

The Group does not reclassify any financial instrument into the 'fair value through profit or loss' category after initial recognition. Also the Group does not reclassify any financial instrument out of the 'fair value through profit or loss' category if upon initial recognition it was designated as at fair value through profit or loss.

The Group reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available for sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standard - LKAS 39 on Financial Instruments: Recognition and Measurement. In certain circumstances the Group is also permitted to reclassify financial assets out of the 'available for sale' category and into the 'loans and receivables', 'held for trading' or 'held-to maturity' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset reclassified out of the 'available for sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Statement of Profit or Loss.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis.

## 1.5.3.5 De-recognition of Financial Assets and Financial Liabilities

### Financial Assets

#### Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when;

- The rights to receive cash flows from the asset which have expired;
- The Group and Company 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 Group and Company has transferred substantially all the risks and rewards of the asset; or
- The Group and Company have 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 and consideration received and any cumulative gain or loss that has been recognised is recognised in profit or loss.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

#### 1.5.3.6 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

#### 1.5.3.7 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 are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

#### 1.5.3.8.1 Loans and Receivables

Losses for impaired loans are recognized promptly when there is objective evidence that impairment has occurred. Impairment losses are recorded as charges to the Profit or Loss. The carrying amount of impaired loans and receivables on the Statement of Financial Position is reduced through the use of impairment allowance accounts.

#### Reversals of Impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the Statement of Profit or Loss.

#### 1.5.3.8.2 Available for Sale Financial Investments

For available for sale financial investments, the Company and Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of equity investments classified as available for sale, objective evidence would also include a significant or 'prolonged' decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group generally treats 'significant' as 20% or more and 'prolonged' as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss is removed from equity and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in the fair value after impairment are recognised in other comprehensive income.

#### 1.5.3.9 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under LKAS / SLFRS, or for gains and losses arising from a group of similar transactions.

#### 1.5.4 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

# Notes to the Financial Statements contd...

- Merchandising Goods

Actual cost on a First In First Out (FIFO) basis

- Other Inventories

Actual cost

## 1.5.5 Short Term Investment

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

## 1.5.6 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.

## 1.5.7 Equity and Liabilities

### 1.5.7.1 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.

## 1.5.8 Employee Benefits

### 1.5.8.1 Defined Benefit Plan - Gratuity

The Group measures the present value of the retirement benefits for gratuity, with the advice of an independent professional actuary using the 'Projected Unit Credit method' (PUC) as required by the Sri Lanka Accounting Standard - LKAS 19 on 'Employee Benefits'.

The item is stated under Employee benefits in the Statement of Financial Position.

The assumptions based on which the results of the actuarial valuation was determined, are included in note 10 (g) 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.

#### 1.5.8.1.1 Recognition of Actuarial Gains and Losses

The Company and Group recognises the total actuarial gains and losses that arise in calculating the obligation in Other Comprehensive Income during the period in which it occurs.

### 1.5.8.1.2 Funding Arrangements

The gratuity liability is not externally funded.

### 1.5.8.2 Defined Contribution Plans – Employees' Provident Fund and Employee Trust Fund

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 any further amounts. Obligations for contributions to Employees Provident Fund and Employees Trust Fund covering all employees are recognised as an expense in the Profit or Loss, as 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.

## 1.5.9 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognised in the Statement of Financial Position when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provision, Contingent Liabilities and Contingent Assets'. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

## 1.6 Statement of Profit or Loss and Other 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.

### 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 Profit or Loss and Other 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 Profit or Loss and Other 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

As per Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing Costs', the Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period in which they occur.

#### 1.6.5.4 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 Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged or not.

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

# Notes to the Financial Statements contd...

## 1.8 Statement of Cash Flows

The Statement of Cash Flows has been prepared by using the 'Indirect Method' of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on 'Statement of Cash Flow', whereby operating activities, investing activities and financing activities are separately recognised. Cash and Cash Equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

## 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 23 and 24 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 Standards Issued but not yet Effective

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31st March 2017 and have not been applied in preparing these Consolidated Financial Statements. The Group plans to apply these standards on the respective effective dates.

### SLFRS 9 - Financial Instruments:

SLFRS 9, issued in 2014, replaces the existing guidance on LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial

instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

### SLFRS 15 - Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts'.

SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2018. The impact on the implementation of the above standard has not been quantified yet.

### SLFRS 16 – Leases

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

SLFRS 16 is effective for annual Reporting periods beginning on or after January 01, 2019.

The impact on the implementation of the above standard has not been quantified yet.

For the year ended 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>2. REVENUE</b>				
Gross revenue on liquid milk based products	2,176,492,051	1,877,976,698	-	-
Nation Building Tax (NBT)	(43,529,841)	(37,559,534)	-	-
Net revenue	<b>2,132,962,210</b>	<b>1,840,417,164</b>	-	-

### 3. COST OF SALES

Cost of sales of the Group includes direct operating cost.

For the year ended 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>4. OTHER INCOME</b>				
Dividend income	-	-	319,371,338	311,177
Royalty income	98,906,089	87,428,959	98,906,089	87,428,959
Reversal of provision for trade and other receivable	2,413,429	1,538,085	-	-
Write back of creditors	1,545,183	-	-	-
Gain on disposal of property, plant and equipments	530,717	-	-	-
Sundry income	272,878	693,681	-	-
	<b>103,668,296</b>	<b>89,660,725</b>	<b>418,277,427</b>	<b>87,740,136</b>

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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>5. NET FINANCE INCOME</b>				
<b>5.1 Finance Income</b>				
Interest income	94,238,188	55,552,014	18,550,473	7,552,623
	<b>94,238,188</b>	<b>55,552,014</b>	<b>18,550,473</b>	<b>7,552,623</b>
<b>5.2 Finance Expenses on;</b>				
Bank charges	651,457	689,102	63,592	25,600
Inter Company Interest	2,247	-	-	-
Bank overdrafts	42,540	-	-	-
	<b>696,244</b>	<b>689,102</b>	<b>63,592</b>	<b>25,600</b>
Net finance income	<b>93,541,944</b>	<b>54,862,912</b>	<b>18,486,881</b>	<b>7,527,023</b>

# Notes to the Financial Statements contd...

For the year ended 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

## 6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging / (crediting) all the expenses / (income) including the following;

Auditors' remuneration - for audit	1,140,700	1,087,145	430,000	399,645
- for non audit	115,000	115,000	45,000	45,000
Depreciation on property, plant and equipments (Note 10)	41,807,331	33,980,117	-	-
Provision / (reversal) for trade and other receivables	(2,413,429)	(1,538,085)	-	-
Inventory write-off	-	247,791	-	-
Staff costs (Note 6.1)	195,553,585	158,681,395	-	-
Directors' emoluments	17,420,928	13,630,506	-	-

### 6.1 Staff Cost

Salaries, wages and other related costs	173,707,258	140,857,383	-	-
Defined benefits plan cost (Note 20)	4,991,116	3,955,718	-	-
Gratuity charged from inter company	333,226	222,702	-	-
Defined contribution plan cost - EPF and ETF	16,521,985	13,645,592	-	-
	<b>195,553,585</b>	<b>158,681,395</b>	-	-

Number of employees as at 31 March	239	270	-	-
------------------------------------	-----	-----	---	---

## 7. INCOME TAX EXPENSE

Income tax on current year profit (Note 7.1)	97,795,689	80,549,576	25,482,392	19,817,475
(Over)/ under provision in respect of previous year	(3,567,764)	-	-	-
Dividend tax	37,176,782	924,966	-	-
Deferred Income tax (Note 7.2)	652,142	(3,871,177)	-	-
	<b>132,056,849</b>	<b>77,603,365</b>	<b>25,482,392</b>	<b>19,817,475</b>

- 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, 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 paid Economic Service Charge (ESC) amounting to Rs. 10,822,460 ( 2016 -Nil ).

## 7. INCOME TAX EXPENSE (contd.)

iii. As per the provisions of Part III of the Finance Act, No. 10 of 2015, which was certified on 30 October 2015, the Group and Company is liable for Super Gain Tax of Rs. 11.32 Mn and 7.95 Mn respectively. According to the Act, the Super Gain Tax was deemed to be expenditure in the Financial Statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards; hence the expense of Super Gain Tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

For the year ended 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

### 7.1 Reconciliation Between Income Tax Charge and Tax on Current Year Profit is Given Below;

Profit before taxation	348,423,408	280,974,491	410,379,880	71,087,874
Aggregate other income	(94,238,188)	(55,552,014)	(18,550,473)	(7,552,623)
Aggregate exempt income	-	-	(319,371,338)	(311,177)
Aggregate disallowed expenses	48,782,584	38,479,119	-	-
Aggregate allowable expenses	(49,313,085)	(33,131,759)	-	-
Tax losses incurred	846,914	591,578	-	-
Aggregate taxable profit on disposal of plant and machinery	530,498	763,727	-	-
Adjusted profit (a)	255,032,131	232,125,142	72,458,069	63,224,074
Taxable income from other sources	94,238,188	55,552,014	18,550,473	7,552,623
Statutory income (b)	94,238,188	55,552,014	18,550,473	7,552,623
Tax losses brought forward	37,909,862	37,318,030	-	-
Tax losses added	846,914	591,931	-	-
Tax losses utilised (c)	-	(99)	-	-
Tax losses carried forward	38,756,776	37,909,862	-	-
Taxable income (a+b+c)	349,270,319	287,677,057	91,008,542	70,776,697
Income tax @ 28% (2016 - @ 28%)	97,795,689	80,549,576	25,482,392	19,817,475
Income tax expense on current year profit	97,795,689	80,549,576	25,482,392	19,817,475

### 7.2 Deferred Income Tax;

Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	800,065	(3,530,263)	-	-
Employee benefit liabilities	(823,693)	(771,578)	-	-
Benefit arising from tax losses	-	-	-	-
(Increase) / decrease in provisions	675,770	430,664	-	-
Deferred tax charge	652,142	(3,871,177)	-	-

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.

## Notes to the Financial Statements contd...

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

For the year ended 31 March,	Temporary difference	2017 Tax effect on Temporary difference	Temporary difference	2016 Tax effect on Temporary difference
	Rs.	Rs.	Rs.	Rs.
Deductible temporary difference	40,551,067	11,354,299	39,704,155	11,117,163

Deferred tax assets is not recognised since it is probable that taxable profit will not be available against which the above deductible temporary differences amounting to Rs. 40,551,067 (2016 - Rs. 39,704,155) could be utilized in accordance with LKAS 12 - "Income taxes"

For the year ended 31 March,	Group		Company	
	2017	2016	2017	2016
<b>8. EARNINGS PER SHARE</b>				
Profit attributable to ordinary share holders (Rs.)	216,366,559	203,371,126	384,897,488	51,270,399
Weighted average number of ordinary shares	31,400,000	31,400,000	31,400,000	31,400,000
Basic earnings per share (Rs.)	6.89	6.48	12.26	1.63

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 earnings per share is equal to basic earnings per share for the year.

For the year ended 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>9. DIVIDEND PER SHARE</b>				
Dividends per share	13.30	0.20	13.30	0.20

The Company has paid Rs. 417,620,000 for the year ended 31 March 2017. (2016 - Rs. 6,280,000)

**10. PROPERTY, PLANT AND EQUIPMENT**

	Land and building Rs.	Expenditure incurred on leasehold building Rs.	Plant, machinery and equipment Rs.	Motor vehicle Rs.	Furniture and fittings Rs.	Computer and accessories Rs.	Total 2017 Rs.	Total 2016 Rs.
<b>Group</b>								
<b>Cost / revaluation</b>								
Balance as at 1 April	156,368,537	15,500,000	342,576,123	21,754,064	9,750,527	9,910,728	555,859,979	519,288,270
Additions	86,399,000	-	54,961,986	-	1,464,039	791,120	143,616,145	15,735,434
Disposal	-	-	(25,000)	-	(248,099)	-	(273,099)	(5,759,818)
Revaluation	-	-	-	-	-	-	-	26,596,093
Balance as at 31 March	242,767,537	15,500,000	397,513,109	21,754,064	10,966,467	10,701,848	699,203,025	555,859,979
<b>Depreciation</b>								
Balance as at 1 April	13,868,537	15,500,000	196,060,925	19,957,434	8,643,641	7,968,321	261,998,858	232,337,296
Charge for the year	3,103,195	-	36,532,337	609,750	548,964	1,013,085	41,807,331	33,980,117
Disposal	-	-	(25,000)	-	(227,278)	-	(252,278)	(4,318,555)
Balance as at 31 March	16,971,732	15,500,000	232,568,262	20,567,184	8,965,327	8,981,406	303,553,911	261,998,858
Carrying value	225,795,805	-	164,944,847	1,186,880	2,001,140	1,720,442	395,649,114	293,861,121
Capital work-in-progress	-	-	-	-	-	-	17,822,277	27,665,618
Carrying value as at 31 March	225,795,805	-	164,944,847	1,186,880	2,001,140	1,720,442	413,471,391	321,526,739
<b>Land and Building</b>								
				2017 Rs.	Land 2016 Rs.		2017 Rs.	Building 2016 Rs.

a. If land and buildings were stated at the historical cost basis, the amounts would have been as follows:

<b>Group</b>					
Cost		22,172,700	22,172,700	26,057,618	26,057,618
Accumulated depreciation		-	-	(9,347,402)	(8,142,510)
Carrying value		22,172,700	22,172,700	16,710,216	17,915,108

b. The freehold land and building of the subsidiary Company of Kotmale Dairy Products (Pvt) Ltd. was revalued as at 31 March 2016 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 2016.

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.

## Notes to the Financial Statements contd...

- c. Capital work-in-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. 79,629,275 (2016 - Rs. 69,948,125).
- e. Expenditure incurred on leasehold building represents the cost incurred in setting up buildings on leasehold land.
- f. Group's real estate portfolio

Location	Land Extent (Sq. ft.)	Building Area Rs.	Valuation	Year of Valuation
Kotmale Dairy Products (Pvt) Ltd.				
Mulleriyawa	1.8 Acres	29,615	116,000,000	2016
Bogahawatta	1 Acres	17,442	26,500,000	2016
Hatton	17.5 Acres	10,221	86,399,000	-

- g. Description of valuation techniques used and key inputs to valuation on real estate portfolio:

Property	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq. ft.)	Significant unobservable inputs	2016 Valuation Rs. '000
Mulleriyawa	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	1.8 Acres	29,615	Market value per perch	116,000,000
Bogahawatta	Open market value	31/03/2016	Mr. Tissa Weeratne FIVSL	1 Acres	17,442	Market value per perch	26,500,000

As at 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 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,	Shares	(% )	Group		Company	
			2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>12. INVESTMENTS IN SUBSIDIARIES</b>						
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

As at 31 March,	2017 Rs.	Group		Company	
		2016 Rs.	2017 Rs.	2016 Rs.	
<b>13. INVENTORIES</b>					
Finished goods	57,810,736	33,795,926	-	-	
Raw materials	44,047,675	27,567,340	-	-	
Packing materials	22,840,685	19,385,806	-	-	
Others	25,944,105	20,637,205	-	-	
	150,643,201	101,386,277	-	-	

a. Inventories which have been mortgaged for bank facilities are disclosed in note 22, to the financial statements.

As at 31 March,	2017 Rs.	Group		Company	
		2016 Rs.	2017 Rs.	2016 Rs.	
<b>14. TRADE AND OTHER RECEIVABLES</b>					
Trade receivables	158,870,289	124,926,547	-	-	
Provision for trade receivables	(12,656,750)	(13,331,460)	-	-	
	146,213,539	111,595,087	-	-	
Staff debtors (Note 14.1)	582,084	544,005	-	-	
Other receivables (Note 14.2)	1,592,920	1,933,624	-	-	
Deposits, advances and prepayments	41,191,199	14,229,423	4,219,427	2,874,522	
	189,579,742	128,302,139	4,219,427	2,874,522	

a. Trade receivables which have been mortgaged for bank facilities are disclosed in note 22, to the financial statements.

## Notes to the Financial Statements contd...

As at 31 March,	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>14.1 Staff Debtors</b>				
Balance at the beginning of the year	544,005	403,168	-	-
Advances given during the year	3,860,002	4,067,255	-	-
Repayments	(3,821,923)	(3,926,418)	-	-
<b>Balance at the end of the year</b>	<b>582,084</b>	<b>544,005</b>	<b>-</b>	<b>-</b>
<b>14.2 Other Receivables</b>				
Receivable from farmers (14.2 -a)	5,797,153	7,876,579	-	-
Other debtors	3,124,368	3,124,368	-	-
	8,921,521	11,000,947	-	-
Provision for other receivables	(7,328,601)	(9,067,323)	-	-
	<b>1,592,920</b>	<b>1,933,624</b>	<b>-</b>	<b>-</b>

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

As at 31 March,	2017 Rs.	Group 2016 Rs.	2017 Rs.	Company 2016 Rs.
<b>15. AMOUNTS DUE FROM / DUE TO RELATED COMPANIES</b>				
Amounts due from related companies				
Parent				
Cargills Quality Dairies (Pvt) Ltd.	77,006,817	51,940,330	193,301	27,288,980
Cargills Quality Foods Ltd.	501,082	339,635	568	568
	<b>77,507,899</b>	<b>52,279,965</b>	<b>193,869</b>	<b>27,289,548</b>
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.	-	-	20,471,420	24,832,645
Kotmale Products Ltd.	-	-	2,997,672	2,064,141
	-	-	<b>44,382,113</b>	<b>47,809,807</b>
Other Related Companies				
Cargills Foods Company (Pvt) Ltd.	8,902,906	8,337,153	-	-
Cargills Quality Confectioneries (Pvt) Ltd	31,161	-	-	-
Cargills Food Processors (Pvt) Ltd.	62,849	51,975	-	-
Cargills Food Services (Pvt) Ltd.	259,234	706,850	-	-
	<b>9,256,150</b>	<b>9,095,978</b>	<b>-</b>	<b>-</b>
<b>Total amounts due from related companies</b>	<b>86,764,049</b>	<b>61,375,943</b>	<b>44,575,982</b>	<b>75,099,355</b>

As at 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>15. AMOUNTS DUE FROM / DUE TO RELATED COMPANIES (contd.)</b>				
Amounts due to related companies				
Parent				
Cargills (Ceylon) PLC	4,186,071	7,908,586	3,423,856	5,096,939
Cargills Quality Foods Ltd.	-	-	-	-
	<u>4,186,071</u>	<u>7,908,586</u>	<u>3,423,856</u>	<u>5,096,939</u>
Other Related Companies				
Cargills Agrifoods Ltd.	127,310	183,441	-	-
Cargills Quality Confectioneries (Pvt) Ltd.	-	137,213	-	-
	<u>127,310</u>	<u>320,654</u>	<u>-</u>	<u>-</u>
<b>Total amounts due to related companies</b>	<b>4,313,381</b>	<b>8,229,240</b>	<b>3,423,856</b>	<b>5,096,939</b>
<b>16. CASH AND CASH EQUIVALENTS</b>				
a. Cash at banks and in hand				
Cash at bank	38,545,115	40,795,258	22,755,279	2,772,863
Cash in hand	247,633	255,000	-	-
	<u>38,792,748</u>	<u>41,050,258</u>	<u>22,755,279</u>	<u>2,772,863</u>
b. For the purpose of cash flow statement, the year end cash and cash equivalents comprise the following;				
Short term investments	477,522,202	849,344,626	102,283,948	121,048,257
Cash at banks and in hand	38,792,748	41,050,258	22,755,279	2,772,863
Bank overdrafts	(892,513)	(50,848)	-	-
<b>Cash and cash equivalents as at 31 March</b>	<b>515,422,437</b>	<b>890,344,036</b>	<b>125,039,227</b>	<b>123,821,120</b>
c. Short term investments				
Call/fixed deposits	392,185,124	759,193,773	102,283,948	121,048,257
Re-purchase agreements	85,337,078	90,150,853	-	-
	<u>477,522,202</u>	<u>849,344,626</u>	<u>102,283,948</u>	<u>121,048,257</u>
<b>17. STATED CAPITAL</b>				
Issued and fully paid;				
31,400,000 ordinary shares	314,000,000	314,000,000	314,000,000	314,000,000

## Notes to the Financial Statements contd...

As at 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>18. RESERVES</b>				
Capital reserves				
Revaluation reserve	116,698,601	116,698,601	-	-
Capital reserve	1,784,545	1,784,545	1,784,545	1,784,545
	<b>118,483,146</b>	<b>118,483,146</b>	<b>1,784,545</b>	<b>1,784,545</b>
Revenue reserves				
General reserve	1,269,472	1,269,472	1,269,472	1,269,472
	<b>119,752,618</b>	<b>119,752,618</b>	<b>3,054,017</b>	<b>3,054,017</b>

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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>19. DEFERRED TAX LIABILITIES</b>				
At the beginning of the year	34,102,171	36,758,847	-	-
Charge for the year	54,999	(4,083,582)	-	-
Attributable to revaluation	-	1,426,906	-	-
<b>At the end of the year</b>	<b>34,157,170</b>	<b>34,102,171</b>	<b>-</b>	<b>-</b>
Deferred tax liability arising from				
- Temporary difference of property, plant and equipment	39,613,452	38,813,388	-	-
- Temporary difference of employee benefits	(7,367,198)	(5,946,363)	-	-
- Temporary difference of provisions	(5,059,990)	(5,735,760)	-	-
- Temporary difference of revaluation surplus of buildings	6,970,906	6,970,906	-	-
As at 31 March	34,157,170	34,102,171	-	-
Origination/ (reversal) of Deferred tax				
Total expense charged / (reversed) to Income Statement	652,142	(3,871,177)	-	-
Total expense charged / (reversed) to other comprehensive income				
Actuarial losses on employee benefits	(597,143)	(212,405)	-	-
Revaluation Surplus of Building	-	1,426,906	-	-
	<b>54,999</b>	<b>(2,656,676)</b>	<b>-</b>	<b>-</b>

As at 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>20. EMPLOYEE BENEFITS</b>				
At the beginning of the year	21,237,009	17,722,784	-	-
Expense recognised in profit or loss	4,991,116	3,955,718	-	-
Expense recognised in other comprehensive income	2,132,653	758,592	-	-
Contributions paid	(2,049,355)	(1,200,085)	-	-
At the end of the year	26,311,423	21,237,009	-	-

a. The amount recognised in the profit or loss is as follows:

Current service cost	2,761,230	2,183,440	-	-
Interest cost	2,229,886	1,772,278	-	-
	4,991,116	3,955,718	-	-

b. The amount recognised in other comprehensive income as follows:

Actuarial loss	2,132,653	758,592	-	-
	2,132,653	758,592	-	-

c. This obligation is not externally funded.

d. 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 2017. The Principal assumptions used in Actuarial valuation were as follows;

As at 31 March,	Group	
	2017	2016
e. Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	11.50%	10.50%
i. Future salary increase		
- Executive	10.00%	10.00%
- Staff	10.00%	10.00%
ii. Retirement Age	55	55

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.

f. Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the defined benefit obligation measurement.

## Notes to the Financial Statements contd...

Group	2017		2016	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate (1% movement)	(1,313,276)	1,455,196	(1,140,056)	1,269,238
Future salary increment rate (1% movement)	1,531,062	(1,402,848)	1,135,687	(1,039,085)

As at 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.

**21. TRADE AND OTHER PAYABLES**

Trade payables	103,625,078	95,359,794	-	-
Other payables	39,688,884	60,109,505	2,421,204	2,199,271
Accrued expenses	67,005,777	47,201,490	2,061,623	2,191,941
Dividend payable	3,020,417	522,528	3,020,405	522,516
	<b>213,340,156</b>	<b>203,193,317</b>	<b>7,503,232</b>	<b>4,913,728</b>

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

**22. BORROWINGS**

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
<b>Kotmale Dairy Products (Pvt) Ltd</b>			
Bank Overdraft			
Bank of Ceylon	10,000,000	On Demand Based on market rates	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Import Loan Facility			
Bank of Ceylon	40,000,000	On Demand Based on market rates	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Series of Loan on Import			
Bank of Ceylon	40,000,000	On Demand Based on market rates	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
<b>Kotmale Milk Products Ltd</b>			
Bank Overdraft			
Pan Asia Bank Corporation Ltd	5,000,000	On Demand Based on market rates	Corporate Guarantee from Kotmale Holdings PLC.
Import Loan Facility			
Pan Asia Bank Corporation Ltd	20,000,000	On Demand Based on market rates	Corporate Guarantee from Kotmale Holdings PLC.

## 23. COMMITMENTS

### a. Capital Commitments

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

### b. Financial Commitments

As at 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Future payment of operating lease rental;				
Payable within 1 year	3,683,000	3,480,000	-	-
Payable between 1-5 years	3,509,000	7,192,000	-	-
	7,192,000	10,672,000	-	-

## 24. 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. 50 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. 61.4 Mn

Having sought professional advice, management is confident that the tax exemption sought are applicable and as such no liability would arise.

Accordingly, no provision has been made in the financial statements.

### Litigation against the Group

The management is of 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.

## 25. EVENTS AFTER THE REPORTING DATE

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

## 26. TRANSACTIONS WITH GROUP COMPANIES

Companies within the Group engage in trading and business transactions under normal commercial terms which gives rise to related company balances.

The related company balances have been disclosed under note 15 to the financial statements.

# Notes to the Financial Statements contd...

## 26. TRANSACTIONS WITH GROUP COMPANIES (contd.)

### a. Transactions with key management personnel (KMP)

According to the Sri Lanka Accounting Standard (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 personnel during the year.

The Group has paid Rs. 17.4 Mn (2016 - Rs. 13.6 Mn) to directors as emoluments and no post employment benefits during the year (2016 - Nil). There are no other payments made to key management personnel apart from the disclosed amount.

### b. Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include;

(a) the individual's domestic partner and children;

(b) children of the individual's domestic partner; and

(c) dependents of the individual or the individual's domestic partner CFM are related parties to the entity. There were no transactions with CFM during the year.

### c. 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	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Parent</b>				
Royalty income	98,906,089	87,428,959	98,906,089	87,428,959
Sales	789,115,432	673,838,199	-	-
Purchases	(52,291,684)	(43,037,752)	-	-
Settlements	(843,089,505)	(710,805,666)	(156,087,720)	(80,721,008)
Others	28,865,087	-	28,412,869	4,874,601
<b>Subsidiaries</b>				
Fund transfers	-	-	-	-
Dividend	-	-	319,371,338	311,177
Settlements	-	-	(322,787,808)	(34,849,432)
Others	-	-	(11,225)	(322,414)
<b>Other Related Companies</b>				
Sales	442,700,048	376,743,742	-	-
Purchases	(14,820,656)	(72,462,811)	-	-
Settlements	(430,241,877)	(307,557,785)	-	-
Sale of machinery	-	-	-	-
Others	2,716,001	1,798,360	-	-

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

## 26. TRANSACTIONS WITH GROUP COMPANIES (contd.)

d. There were no any recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Group or Company as per 31 March 2017 audited financial Statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act, other than disclosed below.

Name of the Company	Relationship	Nature of transaction	Group		Company	
			2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cargills Quality Dairies (Pvt) Ltd	Parent Company	Royalty Received	98,906,089	87,428,959	98,906,089	87,428,959
Cargills Quality Dairies (Pvt) Ltd	Parent Company	Raw Milk Sales	780,189,473	667,616,562	-	-
Kotmale Products Ltd	Subsidiary	Dividend Received	-	-	319,371,338	311,177
Cargills Foods Company (Pvt) Ltd	Affiliates	Supermarket Sales	439,249,179	372,767,053	-	-

These transactions have been occurred on daily or monthly basis through out the year.

### 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 statements.

## 27. 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.

As at 31 March, Financial assets by categories	Group		Company	
	Loans and receivables 2017 Rs.	Loans and receivables 2016 Rs.	Loans and receivables 2017 Rs.	Loans and receivables 2016 Rs.
Financial instruments in current assets				
Trade and other receivables	189,579,742	128,302,139	4,219,427	2,874,522
Amounts due from related companies	86,764,049	61,375,943	44,575,982	75,099,355
Short term investments	477,522,202	849,344,626	102,283,948	121,048,257
Cash and cash equivalents	38,792,748	41,050,258	22,755,279	2,772,863
Total	792,658,741	1,080,072,966	173,834,636	201,794,997

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

# Notes to the Financial Statements contd...

## 27. FINANCIAL INSTRUMENTS (contd.)

Financial liabilities by categories	Group		Company	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Financial instruments in current liabilities				
Trade and other payables	213,340,156	203,193,317	7,503,232	4,913,728
Amounts due to related companies	4,313,381	8,229,240	3,423,856	5,096,939
Bank overdrafts	892,513	50,848	-	-
Total	218,546,050	211,473,405	10,927,088	10,010,667

**27.1** The above table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The Group has not disclosed the fair values for financial instruments such as short term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

### 27.2 Fair Value hierarchy

The Company held the following financial instruments carried at fair value in the Statement of Financial Position:

Financial assets by fair value hierarchy

As at 31 March	Note	Level 3	
		2017	2016
		Rs.	Rs.
Non Financial Assets			
Assets measured at fair value			
Land and buildings	10	142,500,000	142,500,000

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

## 28. 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.

### 28.1 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	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
As at 31 March,				
Trade receivables	146,213,539	111,595,087	-	-
Other receivables	1,592,920	1,933,624	-	-
Deposits and Advances	20,053,121	9,361,139	-	-
Amount due from related companies	86,764,049	61,375,943	44,575,982	75,099,355
Cash and cash equivalents	516,314,950	890,394,884	125,039,227	123,821,120
	<b>770,938,579</b>	<b>1,074,660,677</b>	<b>169,615,209</b>	<b>198,920,475</b>

## Notes to the Financial Statements contd...

As at 31 March,	Group		Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>28.1.1 Trade Receivables</b>				
Past due 1 - 30 days	80,370,865	67,734,673	-	-
Past due 31 - 60 days	40,140,517	29,912,642	-	-
Past due 61 - 90 days	16,012,426	13,947,772	-	-
> 91 days	9,689,731	-	-	-
	<b>146,213,539</b>	<b>111,595,087</b>	<b>-</b>	<b>-</b>

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

#### 28.1.2 Advances

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

#### 28.1.3 Amount due from Related Companies

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

#### 28.1.4 Cash and Cash Equivalents

The Group and the Company held cash and cash equivalents of Rs. 516.3 Mn and Rs. 125 Mn at 31 March 2017 (2016: Rs. 890.4 Mn and Rs. 123.8 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with banks, which are rated AAA(Ika) to A(Ika), based on Fitch Ratings.

Short term investments represent investment in REPO and call deposits with less than three months maturity period are classified as cash and cash equivalent.

#### 28.1.5 Guarantees

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



# Notes to the Financial Statements contd...

## 28.3 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.

### 28.3.1 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.

### 28.3.2 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, floating 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 time, 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.

### 28.3.3 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.

	Group		Company	
	2017	2016	2017	2016
Debt/Equity	41%	29%	6%	4%

# Five Year Financial Summary

Group	2012/13 Rs. 000	2013/14 Rs. 000	2014/15 Rs. 000	2015/16 Rs. 000	2016/17 Rs. 000
<b>Financial Results</b>					
Net revenue	2,205,949	1,422,683	1,507,422	1,840,417	2,132,962
Results from operating activities	136,643	79,945	128,120	226,112	254,881
Profit before taxation	152,290	117,115	177,078	280,974	348,423
Profit attributable to equity shareholders of the parent	116,060	93,374	115,625	203,371	216,367
<b>Financial Position</b>					
Stated capital	314,000	314,000	314,000	314,000	314,000
Reserves	474,379	565,902	681,038	891,427	688,638
Capital and reserves	788,379	879,902	995,038	1,205,427	1,002,638
Current assets	634,564	853,154	980,012	1,181,459	943,302
Current liabilities	(259,377)	(305,506)	(273,306)	(298,083)	(349,530)
Working capital	375,187	547,648	706,706	883,376	593,772
Non-current assets	443,211	378,791	342,814	377,390	469,335
Non-current liabilities	(30,019)	(46,537)	(54,482)	(55,339)	(60,469)
Net assets	788,379	879,902	995,038	1,205,427	1,002,638
<b>Key Indicators</b>					
Growth in net revenue (%)	5.79	(35.51)	5.96	22.09	15.90
Growth in earnings (%)	39.13	(19.55)	23.83	75.89	6.39
Return on total assets (%)	10.77	7.58	8.74	13.05	15.32
Growth in total assets (%)	27.56	14.30	7.38	17.84	(9.38)
Growth in capital and reserves (%)	25.13	11.61	13.09	21.14	(16.82)
Return on investment%	14.72	10.61	11.62	16.87	21.58
Earnings per share (Rs.)	3.70	2.97	3.68	6.48	6.89
Dividend per share (Rs.)	-	-	-	0.20	13.30
Dividend pay out (times)	-	-	-	0.03	1.93
Dividend paid per share (Rs.)	-	-	-	0.20	13.30
Net assets per share (Rs.)	25.11	28.02	31.69	38.39	31.93
Market value per share (Closing) (Rs.)	35.90	52.00	60.10	-	90.40
Market capitalisation (Rs.)	1,127,260,000	1,632,800,000	1,887,140,000	-	2,838,560,000
Debt equity ratio (times)	0.37	0.40	0.33	0.29	0.41
Interest cover (times)	68.83	113.89	197.86	328.12	366.08
Current ratio (times)	2.45	2.79	3.59	3.96	2.70
Quick assets ratio (times)	2.06	2.51	3.30	3.62	2.27

(a) The above ratios have been computed based on 31,400,000 numbers of issued and fully paid shares as at 31 March 2017.

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

(c) Return on investment is computed by dividing profit for the year by the shareholders' 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 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	323	93.90	52,077	0.16	-	-	-	-
1,001 - 10,000	16	4.65	30,519	0.10	-	-	-	-
10,001 - 100,000	4	1.16	124,942	0.40	-	-	-	-
100,001 - 1,000,000	-	-	-	-	1	33.33	193,501.00	0.62
Over 1,000,000	1	0.29	31,192,462	99.34	2	66.67	31,206,499	99.38
<b>Total</b>	<b>344</b>	<b>100.00</b>	<b>31,400,000</b>	<b>100.00</b>	<b>3</b>	<b>100.00</b>	<b>31,400,000</b>	<b>100.00</b>

## 4. Analysis of Shareholders

Shareholder Category	31 March 2017				31 March 2016			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	334	97.09	147,850.00	0.47	-	-	-	-
Institutions	10	2.91	31,252,150	99.53	3	100.00	31,400,000	100.00
<b>Total</b>	<b>344</b>	<b>100.00</b>	<b>31,400,000</b>	<b>100.00</b>	<b>3</b>	<b>100.00</b>	<b>31,400,000</b>	<b>100.00</b>
Resident	340	98.84	31,397,150	99.99	3	100.00	31,400,000	100.00
Non-Resident	4	1.16	2,850.00	0.01	-	-	-	-
<b>Total</b>	<b>344</b>	<b>100.00</b>	<b>31,400,000</b>	<b>100.00</b>	<b>3</b>	<b>100.00</b>	<b>31,400,000</b>	<b>100.00</b>

## 5. Public Holding

The public holding as at 31 March	2017	2016
Number of shares held by the public	153,222	-
Percentage held by the public	0.49	-
No of public share holders	341	-

In the previous year, subsequent to a voluntary offer (made on 14th January 2015), Cargills (Ceylon) PLC (CCP) made an announcement to exercise its option in terms of sec.246 of Companies Act No.7 of 2007 to compulsorily acquire all the shares in Kotmale Holdings PLC (KHP) not already owned by CCP and its wholly owned subsidiaries Cargills Quality Food Ltd (CQF) and Cargills Quality Dairies (Pvt) Ltd (CQD) at that time. Consequent to this offer, the remaining shares of KHP amounting to 852,712 shares were acquired at a total cost of Rs. 54.14 Mn (at Rs 62.50 per share) by CCP in terms of the said sec. 246 of the Companies Act. This action was based on legal advice received that the aforesaid section could be read on a standalone basis. The Securities and Exchange Commission of Sri Lanka (SEC) subsequently informed CCP that the said Section 246 cannot be read on a standalone basis and should be read as a part of Part VIII of the Companies Act which deals with 'Amalgamations'. Accordingly, the SEC directed that CCP and KHP give the former minority shareholders of KHP the opportunity to continue as shareholders of KHP if they so desire. Accordingly on 18 July 2016 CCP (jointly with KHP) wrote to the shareholders as directed by the SEC. Applications were received from shareholders holding 18,512 shares requesting to continue as shareholders of KHP, while holders of 297 shares requested for fresh cheques to complete the disposal of their shares. Additionally the shareholders who did not encash their previous pay orders also continue to remain as shareholders of KHP. In a separate transaction, on 28 February 2017, CCP and CQF transferred 29,539,097 shares and 1,459,864 shares respectively held in KHP to CQD. Accordingly, as at 31 March 2017, CCP directly and through subsidiaries holds 31,246,778 shares representing 99.51% of the issued share capital of KHP.

## 6. Share Price Movements for the Period

The market price of share recorded for the year ended 31 March	2017 Rs.	2016 Rs.
Highest	133.00	-
Lowest	-	-
Last traded price	90.40	-

Trading in the shares of the Company had been suspended from 23 January 2015 and the trading suspension was lifted with effect from 15 November 2016.

# Investor Relations Supplement contd...

## 7. Top Twenty Shareholders

Consequent to Cargills (Ceylon) PLC exercising its option under Sec. 246 of the Companies Act, the shareholdings in the Company are as follows.

	Names of Shareholder	No. of Shares as at 31 March 2017	Holding %	No. of Shares as at 31 March 2016	Holding %
01.	Cargills Quality Dairies (Pvt) Ltd	31,192,462	99.34	193,501	0.62
02.	Cargills (Ceylon) PLC	54,315	0.17	1,667,401	5.31
03.	Mrs. I.S. Jayasinghe	37,500	0.12	-	-
04.	Mr. K.C. Vignarajah	22,350	0.07	-	-
05.	Mr. N.T.B. Bandaranayake	10,777	0.03	-	-
06.	Mrs. R .T. Purasinghe	3,400	0.01	-	-
07.	Mr. G.R. Handy	2,950	0.01	-	-
08.	Uniwalkers Limited	2,550	0.01	-	-
09.	Mr. S. Muhunthan	2,096	0.01	-	-
10.	Fortune Asset (Pvt) Ltd	2,022	0.01	-	-
11.	Mrs. P.T.D. Harasgama	2,000	0.01	-	-
12.	Mrs. S.Z. Nizam	2,000	0.01	-	-
13.	Mr. P.R.A. Jansz	1,986	0.01	-	-
14.	Mrs. B.P. Narhari	1,875	0.01	-	-
15.	Mr. P.R. Gunasekara	1,600	0.01	-	-
16.	Mr. D.R. Wickramasekara	1,500	0.00	-	-
17.	Mr. B. Nadarajah	1,500	0.00	-	-
18.	Dr. G.W. Karunaratne	1,400	0.00	-	-
19.	Mr. A. Rajaratnam	1,300	0.00	-	-
20.	Mr. W.S.P.S.D Jansz	1,280	0.00	-	-

# Notice of Annual General Meeting

Notice is hereby given that the fiftieth Annual General Meeting of the Company will be held at the Lecture Hall 1 of the Sri Lanka Foundation Institute, 100, Independence Square, Colombo 07 on Thursday, 03 August 2017, 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 Directors and the Financial Statements for the year ended 31 March 2017, with the Report of the Auditors thereon.
2. To re-elect Directors;
  - a) P. S. Mathavan, who retires by rotation in terms of the Company's Articles of Association and being eligible offers himself for re-election, and
  - b) A. T. P. Edirisinghe, and
  - c) Sunil Mendis,
 who retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having surpassed seventy years of age and offer themselves for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007, and accordingly pass the following Ordinary Resolutions:
3. To authorise the Directors to determine contributions to charities for the financial year 2017/18.
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.

**Ordinary Resolution (i)**

"Resolved that Priya Edirisinghe, a retiring Director, who has attained the age of seventy one 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", and

**Ordinary Resolution (ii)**

"Resolved that Sunil Mendis, a retiring Director, who has attained the age of seventy two 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"

By Order of the Board  
Kotmale Holdings PLC

*(Signed,)*

**S L W Dissanayake**

*Company Secretary*

10 July 2017

**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 fiftieth 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 fiftieth Annual General Meeting of the Company to be held on Thursday, 03 August 2017 and at any adjournment thereof and at every Poll which may be taken in consequent thereof in the manner indicated below:

Resolution Number	1	2 (a)	2 (b)	2 (c)	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 Form of Proxy should be deposited at the Registered Office of the Company at No: 40, York Street, Colombo 1, 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 notarially certified copy thereof, should also accompany the completed Form of Proxy, 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 form of proxy 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**

Ranjit Page (Chairman)

Imtiaz Abdul Wahid (Managing Director)

Prabhu Mathavan

Priya Edirisinghe

Sunil Mendis

Joseph 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**

Sarath Dissanayake

## **Registrars**

SSP Corporate Services (Pvt) Ltd

No.101, Inner Flower Road, Colombo 03.

Tel: +94 (0) 11 257 3894

## **Audit Committee**

Priya Edirisinghe (Chairman)

Sunil Mendis

## **Remuneration Committee**

Sunil Mendis (Chairman)

Priya Edirisinghe

## **Related Party Transaction Review Committee**

Priya Edirisinghe (Chairman)

Sunil Mendis

## **Auditors**

KPMG

Chartered Accountants

## **Bankers**

Bank of Ceylon

Cargills Bank Ltd

Commercial Bank of Ceylon PLC

NDB Bank

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