



Kotmale Holdings PLC

Annual Report 2017/18

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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	2018 Rs. 000	2017 Rs. 000	Change %
Operating Results for the Year			
Net revenue	2,317,243	2,132,962	9
Profit from operation	300,569	254,881	18
Profit before taxation	365,835	348,423	5
Profit after taxation	210,581	216,367	(3)
Highlights of Financial Position at the Year End			
Non - current assets	601,977	469,335	28
Current assets	648,297	943,302	(31)
Current liabilities	388,433	349,530	11
Non - current liabilities	73,185	60,469	21
Stated capital and reserves	788,656	1,002,638	(21)
Total assets	1,250,274	1,412,637	(11)
Per Share Data (Rs.)			
Earnings per share	6.71	6.89	(3)
Net assets per share	25.12	31.93	(21)
Cash Flow			
Net cash generated from / (used in);			
Operating activities	208,456	71,888	
Investing activities	(24,423)	(38,983)	
Financing activities	(494,236)	(407,826)	

Rs. 2,317 Mn
Net Revenue

Rs. 366 Mn
Profit Before Tax

Rs. 211 Mn
Profit After Tax

Rs. 1,250 Mn
Total Assets

Group Net Revenue



Group Profit Before Taxation



Group Profit After Taxation



Group Total Assets



Chairman's Review

Dear Shareholder,

On behalf of the Board of Directors of Kotmale Holdings PLC, I am pleased to present the Annual Report and Financial Statements of the Company for the year ended 31st March 2018.

The Sri Lankan economy faced multiple challenges during the period under review, largely attributable to weather-related shocks on the key agriculture sector of the economy. Nevertheless, the country recorded a growth in GDP of 3.1% for the year 2017. The Agriculture sector reported a de-growth of 0.8% for the year due to both heavy flooding and a severe drought that affected the harvest of many key crops. Meanwhile, the Industry sector recorded a growth of 3.9% for the year, while the Services sector recorded a growth of 3.2%.

The local dairy market has nevertheless performed credibly within this environment, with growth in consumer demand for the local dairy products. The Company is a market leader in pasteurised milk and cheese categories, and will enhance its presence in the Cheese category following the completion of a new cheese processing facility during the current financial year. The Company will also set up a model dairy farm for farmer training at the cheese processing facility location.

For the financial year 2017/18, your Company reported a revenue growth of 8.6% YoY to Rs. 2,317 Mn, while operating profit grew 17.9% YoY to Rs. 301 Mn. Meanwhile, net profit declined marginally to Rs. 211 Mn on account of increased withholding tax expense on dividends declared during the year 2017/18.

The practice of dairy farming is a key component in improving the livelihoods of farmers in Sri Lanka, and the Government has initiated a number of programmes to promote the local dairy industry. Further, it is encouraging to note that the Government is considering the introduction of a Schools Nutrition Programme to reduce the prevalence of malnutrition in the country through the provision of a glass of milk. The country's Dairy sector reported a 3.2% growth in total national milk production to 396 Mn litres in 2017. At present, domestic milk production is estimated to account for only 40% of the country's total milk requirement.

Kotmale works with over 5,000 dairy farmers in collecting milk for our nutritious products, and recorded a total collection of approximately 20 Mn litres of milk for the year under review. Our extension services team works directly with farmers in enhancing milk yield and quality of the farmers we work with, while providing a market for their produce.

On behalf of the Board of Directors, I wish to place on record my sincere thanks to all stakeholders of Kotmale Holdings PLC, from the dairy farming community to our customers and all those within the value chain for the support extended to us during the year. I also wish to thank our Shareholders for their encouragement and confidence in our Group, and supporting our inclusive manner of doing business.

(Signed.)

Ranjit Page

Chairman

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 in an executive capacity at different intervals progressively at higher levels (appointed Director 1997 and Deputy Managing Director in 2001) spanning a period of 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 CT 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 Executive Director of Cargills Bank Ltd., and is also a Director of Cargills (Ceylon) PLC. He previously served as a Director of Lanka Clear (Private) Limited.

Priya Edirisinghe

*Director**

Mr. 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 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, etc. where in some companies he also serves as Chairman of the Audit Committee and Related Party Transactions Review Committee, and a 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 and board committees 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 Holding 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. Remuneration of Executive Director 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 Report

The Audit Committee is appointed by the Board of Directors of the Company and reports directly to the Board. The Audit Committee functions within the overall governance process established by the Board of Directors of the Company and assists the Board in effectively discharging its responsibilities.

Policy Framework

The policy framework for the functioning of the Audit Committee of the Company and its subsidiaries is set out in the Group Policies adopted across the Group. The Audit Committee of the listed holding company functions as the Audit Committee of the non-listed subsidiary companies within the Group.

Composition

The Members of the Audit Committee:

Name / Independence

Mr. A. T. P. Edirisinghe (FCMA, UK, FCA) - Chairman Independent

Mr. Sunil Mendis - Independent

The Audit Committee comprise two members who are non-executive directors who are deemed independent. The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka & a Fellow Member of the Chartered Institute of Management Accountants, UK. The composition of the members of the Audit Committee satisfies the criteria as specified in the Standards on Corporate Governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Procedure

The procedure in place is for the Group Managing Director (GMD), Group Chief Financial Officer (GCFO), and Group Chief Risk Officer (GCRO) to attend all meetings when scheduled and for the Chairman to attend audit committee meetings as and when requested so to do by the Audit 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 may also be given by circular resolutions.

Corporate Governance contd...

Meetings

In terms of the Group Policy, the Audit Committees should meet at least once every quarter, of which the Company Auditors will attend two of such meetings. The meetings were also attended by the Managing Director/Deputy CEO of the Company, with the participation of Group Chief Financial Officer (GCFO) and Group Chief Risk Officer (GCRO).

The Audit Committee of the Company met four times during the year, two of which were with the participation of the Company's Auditors.

Details of the participation of the members of the Audit Committee at such meetings is set out below:

Name	Meetings Held	Meetings Attended
A. T. Priya Edirisinghe, Chairman	4	4
Sunil Mendis - Member	4	3

Scope

The functions of the Audit Committee, as set out in the Group Policies, include the following:

- 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.

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 standardised exception reporting format perfected by the Audit Committee, stating any instances (where applicable) of, and reasons for, non-compliance.

Conclusion

Based on its work, the Audit Committee is of the opinion that the control procedures and environment within the Group provide reasonable assurance regarding the monitoring of the operations, accuracy of the financial statements and safeguarding of assets of the Company.

Audit and Auditors' Independence

The Audit Committee assessed the independence and performance of the Company's external auditors and made recommendations to the Board pertaining to appointment/ re-appointment. The Audit Committee also reviewed the audit fees for the Company and approved the remuneration and terms of engagement of the external auditors and made recommendations to the Board. When doing so, the Audit Committee reviewed the type and quantum of non-audit services (if any) provided by the external auditors to the Company to ensure that their independence as Auditors has not been impaired.

The Audit Committee 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 2019.

(Signed.)

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

02 August 2018

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

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

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

(Signed.)

Sunil Mendis

Chairman – Remuneration Committee

02 August 2018

2.2.4 Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) is appointed by the Board of Directors of the Company and reports directly to the Board. The Committee functions within the overall governance process established by the Board of Directors of the Company and assists the Board in effectively discharging its responsibilities.

Policy Framework

The policy framework for the functioning of the RPTRC of the Company and its subsidiaries is set out in the Group policies adopted across the Group. The RPTRC of the listed holding company functions as the RPTRC of the non-listed subsidiary companies within the Group.

Composition

The Members of the RPTRC:

Name / Independence

Mr. A. T. P. Edirisinghe (FCMA, UK, FCA) - Chairman Independent

Mr. Sunil Mendis - Independent

The RPTRC Committee comprises two members who are non-executive Directors who are deemed independent. The composition of the members of the RPTRC satisfies the criteria as specified in the Standards on Corporate Governance for listed companies. The Company Secretary acts as the Secretary to the Committee.

Scope

The RPTRC assists the Board in reviewing all Related Party Transactions (RPT) carried out by the Company.

The functions of the RPTRC Committee include the following:

- Developing and recommending for adoption by the Board of Directors of the Company and its listed subsidiaries, a related party transactions policy consistent with that proposed by the RPT Code of the SEC.
- Reviewing and updating the control procedures in place to ensure that all recurrent and non-recurrent related party transactions are identified, adequately captured and reported in a timely manner in accordance with the applicable rules
- Establishing procedures to ensure that related party transactions that are captured within the system are reviewed in a systematic manner and certified by key management personnel with appropriate level of authority

Corporate Governance contd...

- Reviewing all related party transactions as reported by management for compliance with the RPT Code
- Ensuring that appropriate disclosures are made as applicable to the CSE where immediate market disclosures are required, and in the Annual Report.

Procedures are also in place for the RPTR Committee to obtain and have obtained:

- Quarterly declarations of related party transactions from Directors & Senior Management of all Group companies on recurrent & non-recurrent transactions undertaken by them or by their close family members
- Quarterly declarations of Directors & Senior Management of all Group companies who has a significant shareholding/ownership in a company or partnership or proprietorship which is outside the Group companies and/or of the subsidiaries and associate companies of Group companies
- Quarterly declarations of Group Chief Financial Officer or equivalent position in Group companies on recurrent and/or non-recurrent transactions within the Group companies

Likewise, procedures are also in place for the assessment of the need to obtain shareholder approval for specified transactions and to inform the SEC/CSE on the applicable non-recurrent transactions.

Related Party Transactions

Companies within the Group regularly engage in transactions with other companies within the Group. The Committee receives and reviews details of all related party transactions from the Group Chief Financial Officer of the Cargills Group of companies and disposes of the same in accordance with the mandate set out above.

In respect of non-recurrent transactions, if any, the Committee is empowered to seek independent expert advice on valuation or any other related matter that the Committee deems to be significant.

Meetings

The Related Party Transactions Review Committee (RPTRC) met four times during the year. The meetings were also attended by the Group Managing Director, with the participation of Group Chief Financial Officer (GCFO) and Group Chief Risk Officer (GCRO).

Details of the participation of the members of the RPTR committee at such meetings is set out below:

Name	Meetings Held	Meetings Attended
A. T. Priya Edirisinghe, Chairman	4	4
Sunil Mendis	4	3

The Committee adopted policies and procedures for (a) reviewing the Related Party Transactions at each quarterly meeting, (b) identifying & reporting on recurrent & non-recurrent transactions to be in line with the applicable CSE Rules.

Conclusion

Based on its work, the Related Party Transactions Review Committee confirms that there were no non-recurrent transactions with related parties during the year that warranted prior shareholder approval. It is also noted that in respect of recurrent transactions, the transactions were in the ordinary course of business, there were no changes to terms or practices over the previous year and general terms and conditions applicable to such transactions with related parties are similar to those entered into with non-related parties taking into account, if any, due consideration of factors such as volume, cost and any other special benefits which form part and parcel of such transactions. The observations of the Committee have been communicated to the Board of Directors.

The details of the recurrent transactions entered into with related parties are disclosed in Note 26 to the Financial Statements.

(Signed.)

A .T. P. Edirisinghe FCMA (UK), FCA

Chairman – Related Party Transactions Review Committee

02 August 2018

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

Corporate Governance contd...

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

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 organisation. 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

of resources in order to optimise 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 organisation 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 analyse the performance and take corrective action, wherever required.

The Group through its performance management system focuses on developing talents, organising 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.

Corporate Governance contd...

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>7.10.1 Non-Executive Directors</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>7.10.2 Independent Directors</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 Rule	Compliance Status	Details
<p>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.</p>	<p>Complied</p>	<p>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>
<p>7.10.3 Disclosures Relating to Directors 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>	<p>Complied</p>	<p>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 19.</p>
<p>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.</p>	<p>Complied</p>	<p>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>
<p>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.</p>	<p>Complied</p>	<p>Please refer profile of Directors on page 05.</p>
<p>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.</p>	<p>N/A</p>	<p>During the year there were no such appointments.</p>

Corporate Governance contd...

Corporate Governance Rule	Compliance Status	Details
<p>7.10.5 Remuneration Committee</p> <p>A Listed Entity shall have a Remuneration Committee in conformity with the following:</p> <p>Composition</p> <p>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 comprises of 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>Functions</p> <p>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>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 07.
<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>Functions 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 07.

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 07.
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 07.

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 69.
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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.

Corporate Governance contd...

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
A.	Directors		
A.1	The Board		
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"> • Strategy formulation and implementation • Skills and succession of the key management personnel • Integrity of information, internal controls, business continuity and risk management • Compliance with laws, regulations and ethical standards • Consideration of all stakeholder interests in decision making • Sustainable business development • Adopting appropriate accounting policies and compliance with financial regulations 	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	
A.2	Chairman and Chief Executive Officer		
A.2.1	Justification for combining the posts of Chairman and CEO in one person	N/A	N/A
A.3	Chairman's Role		
A.3.1	The Chairman should conduct board proceedings in a proper manner and ensure; <ul style="list-style-type: none"> • The effective participation and contribution of the Directors. • A balance of power between Executive and Non-Executive Directors • The views of Directors on issues under consideration are ascertained • The Board is in complete control of the Company's affairs and alerts to its obligations to all stakeholders 	In place	

	Principle	Status	Details/Reference
A.4	Financial Acumen		
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	
A.5	Board Balance		
A.5.1	At least 2 members or one third of the Board, whichever is higher should be Non-Executive Directors 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 Non-Executive Directors, both such Non-Executive Directors 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 Non-Executive Directors (NED) 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 Non-Executive Directors 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 Non-Executive Directors 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	
A.6	Supply of information		
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	
A.7	Appointments to the Board		
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	

Corporate Governance contd...

	Principle	Status	Details/Reference
A.8	Re – Election		
A.8.1	Non-Executive Directors 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
A.10	Disclosure of Information in respect of Directors		
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.
A.11	Appraisal of Chief Executive Officer (CEO)		
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.	Directors' Remuneration		
B.1	Remuneration Procedure		
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 Non-Executive Directors 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 Non-Executive Directors	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.2	The level and make up of Remuneration		
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	

	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 Non-Executive Directors should reflect the time commitment, responsibilities and market practices	In place	
B.3	Disclosure of Remuneration		
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.
C.	Relations with Shareholders		
C.1	Constructive use of Annual General Meeting (AGM) and conduct of general meetings		
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	
C.2	Communication with shareholders		
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"> • Policy and methodology for communication with shareholders • How the above policy and methodology will be implemented • The contact person for such communication 	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	

Corporate Governance contd...

	Principle	Status	Details/Reference
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	
C.3 Major and Material Transactions			
C.3.1	Directors should disclose to shareholders all proposed material transactions including related party transaction	In place	
D.	Accountability and Audit		
D.1	Financial Reporting		
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"> • The Company has not engaged in any unlawful activities • All material interests of Directors in contracts involving the Company • The equitable treatment of shareholders • The business is a going concern • The review of internal controls and risk management 	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
D.2	Internal Control		
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	

	Principle	Status	Details/Reference
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively of Non-Executive Directors, 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	
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
D.4 Code of Business Conduct and Ethics			
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	
D.5 Corporate Governance Disclosures			
D.5.1	The Directors should include a Corporate Governance Report In the Annual Report	In place	
E. Institutional Investors			
E.1 Shareholder Voting			
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
E.2 Evaluation of Governance Disclosures			
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	
F. Other Investors			
F.1 Investing/Divesting Decisions			
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	
F.2 Shareholder Voting			
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 day to day 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 material downside is subjected to mitigating measures and any material 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.

Risk Management Framework

The Board has the overall responsibility for risk management, the system of internal controls and for reviewing their effectiveness. Some of these responsibilities have been delegated to the Audit Committee.

The Company's approach to risk management is based on risk governance structures, risk management policies and procedures.

The Board of Directors, Audit Committee, Risk Management team and the Internal Audit Department lead the Risk Management process by guiding and supporting the managers and the employees in the Group.

Risk	Mitigating Actions
<p>Business risk</p> <p>The business risk management is a dynamic process due to the constant change and complexity in the operating environment of the Group. The business operations of the Group and performance are subject to a variety of risk factors.</p> <p>The dairy business is operating in a competitive environment and this could erode the margin on sales and thereby exert additional pressures to meet planned objectives.</p> <p>Failure in either of the above main areas could have an adverse effect on the Group's financial results.</p>	<p>Management constantly monitors and evaluates risk factors in order to respond effectively. The manufacturing facilities are maintained according to food manufacturing standards.</p> <p>The Group ensures that products are priced competitively in the market to maintain the market leadership position while ensuring comfortable margins are earned by controlling input cost effectively.</p> <p>The Group's aim is to have a broad appeal in price and range so that the Group can compete effectively in different markets. The Group monitors performance against a range of measures which customers tell us are critical to their consumption and we constantly monitor customer perceptions of us and our rivals to ensure we respond as quickly as needed.</p>

Risk	Mitigating Actions
<p>Reputational risk</p> <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-calibre employee.</p>	<p>Loyalty to the Kotmale brand has helped in development of business over the period. We recognise the commercial imperative to safeguard the interests of all our stakeholders and avoid the loss of such loyalty. We engage with stakeholders in every sphere to take into account their views, and endeavour to develop strategy that reflects their interests. We try to ensure that our strategy reflects those interests.</p>
<p>Product safety</p> <p>The safety and quality of our products is of paramount importance to Kotmale as well as being essential to the 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>
<p>Health and safety risks</p> <p>Provision of adequate safety for our staff and customers is of 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>
<p>IT systems and infrastructure</p> <p>The business is dependent on efficient Information Technology (IT) systems.</p>	<p>The Group recognises the essential role that IT plays across our operations in allowing us to trade efficiently through the implementation of effective IT solutions. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and to ensure consistency of delivery, and all relevant staff are effectively engaged to mitigate IT related risks through effective policy and procedures as well as increased awareness.</p>

Risk Management *contd...*

Risk	Mitigating Actions
<p>Regulatory and political environment</p> <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>
<p>Funding and liquidity</p> <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 favourable terms. Healthy relationship with the bankers makes borrowing at comparatively short notice more feasible.</p>
<p>Interest rate risk</p> <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>
<p>Credit risk</p> <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>
<p>Foreign exchange rate risk</p> <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>

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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 2018. Which were approved by the Board of Directors on 02 August 2018.

Activities

The principal business activities of the Group are processing manufacturing and distribution of dairy products, and remain unchanged from the previous year.

Financial statements

The Audited Financial Statements comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statements 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 2018 are given on pages 36 to 74 forming an integral part of the Annual Report of the Board.

Auditors' report

The auditors' report is set out on pages 33 to 35.

Accounting policies

The accounting policies adopted in the preparation of the financial statements are given on pages 41 to 53. There were no significant changes to the accounting policies of the Group during the year.

Dividends

An interim dividend of Rs. 16.00 per share (Rs. 502.4 Mn) was paid on 28 March 2018 for the year ended 31 March 2018. 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. 475 Mn. (2017 - Rs. 689 Mn), while the total reserves of the Company stand at Rs. 42 Mn. (2017 - Rs. 24 Mn)

Stated capital

Stated capital of the Company as at 31 March 2018 was Rs. 314 Mn. (2017 - Rs. 314 Mn)

The details of the stated capital are given in note 17 to the financial statements on page 62.

Capital expenditure

The Group's capital outlay on property, plant and equipment amounted to Rs. 91 Mn (2017 - Rs. 134 Mn) while no capital expenditure was incurred by the Company during the year (2017 - Nil). Details are given in note 10 to the financial statements on page 58.

The movement of property, plant and equipment during the year is given in note 10 to the financial statements on page 58.

Market value of properties

The Group land and buildings were revalued as at 31 March 2018. Details are given in note 10 to the financial statements on pages 59.

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 within the Cargills Group of companies, which in turn is part of C T Holdings PLC Group. There were 509 registered shareholders as at 31 March 2018 (2017 - 344).

An analysis of shareholdings according to the size of holding and the names of the shareholders is given on pages 76 to 77.

Directorate

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

Mr. J. C. Page 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 attained and 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 06 on page 55 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 68. The Directors have declared their interests at meetings of the Board. The Directors have had no direct or indirect interest in any other contracts in relation to the business of the Company.

Interest register

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

Director's shareholding

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

Number of shares as at 31 March	2018	2017
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 (2017 - Nil) had been made by the Company.

Auditors

Messrs. KPMG, Chartered Accountants are deemed reappointed as auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No. 7 of 2007. The Directors have been authorised to determine the remuneration of the Auditors and fees paid to auditors are disclosed in note 06 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 67.

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.)

M. I. Abdul Wahid
Managing Director

(Signed.)

S. L. W. Dissanayake
Company Secretary

02 August 2018

Statement of Directors' Responsibilities

The Companies Act No. 7 of 2007 places the responsibility on the Directors to prepare and present financial statements for each year comprising a statement of financial position as at year end date and statement of 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 pages 33 to 35.

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 and the listing rules of the Colombo Stock Exchange.

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

The Directors are required to provide the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary to carry out their responsibilities. The responsibility of the Independent Auditors in relation to the financial statements is set out in the Independent Auditors' Report.

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

02 August 2018

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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To the Shareholders of Kotmale Holdings PLC
Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 36 to 74 of the Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 19 of the financial statements wherein the Group has considered all land held and used in business as investment assets. Based on our understanding of the Inland Revenue Act and legal advice provided by the expert, there is significant judgment involved in determining whether the lands held by the entity and used in business are to be considered as capital assets or investment assets due to the uncertainties that exist with respect to the interpretation of the application. In the event the Group's position is not held by the Authorities, the impact on the Company and Group is disclosed in Note 19 to the financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakaner 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	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA

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

Independent Auditor's Report contd...



The Key Audit Matter	Our response
<p>Valuation of Freehold Land and Buildings</p> <p>Management's assessment of fair value of these freehold land and buildings is based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.</p> <p>We identified valuation of freehold land and buildings as a key audit matter because the determination of the fair values involves significant judgment and estimation, particularly determining the underlying assumptions and because the valuations are sensitive to the key assumptions applied.</p> <p>See note 1.2.8 for Use of Judgments and Estimates and notes 10 and 1.5.2 for information and accounting policy.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the objectivity, independence, competence and qualifications of the external valuer. With the assistance of our own internal property valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the properties and comparing the fair value of properties with evidence of current market values. In addition assessing the valuation methodologies with reference to recognised industry standards. Assessing the adequacy of disclosures made in the financial statements in relation to fair value of freehold land and buildings in the financial statements.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1224.

(Signed.)

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

02 August 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Revenue	2	2,317,242,776	2,132,962,210	-	-
Cost of sales	3	(1,731,565,244)	(1,620,025,101)	-	-
Gross profit		585,677,532	512,937,109	-	-
Other income	4	115,077,617	103,668,296	559,359,260	418,277,427
Distribution expenses		(277,559,485)	(245,896,564)	-	-
Administrative expenses		(122,626,644)	(115,827,377)	(27,865,157)	(26,384,428)
Results from operating activities		300,569,020	254,881,464	531,494,103	391,892,999
Net finance income	5	65,265,980	93,541,944	14,937,963	18,486,881
Profit before taxation	6	365,835,000	348,423,408	546,432,066	410,379,880
Income tax expense	7	(155,254,475)	(132,056,849)	(26,372,681)	(25,482,392)
Profit for the year		210,580,525	216,366,559	520,059,385	384,897,488
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation surplus of land and building	10	86,092,389	-	-	-
Actuarial losses on employee benefits	20	(333,758)	(2,132,653)	-	-
Tax on other comprehensive income	19	(9,415,737)	597,143	-	-
Other comprehensive income / (expense) for the year, net of tax		76,342,894	(1,535,510)	-	-
Total comprehensive income for the year		286,923,419	214,831,049	520,059,385	384,897,488
Earnings per share - basic / diluted (Rs.)	8	6.71	6.89	16.56	12.26

Figures in the brackets indicated deduction

The accounting policies and notes from pages 41 to 74 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Notes	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	10	546,113,890	413,471,391	-	-
Intangible assets	11	55,863,274	55,863,274	-	-
Investments in subsidiaries	12	-	-	185,400,000	185,400,000
Total non-current assets		601,977,164	469,334,665	185,400,000	185,400,000
Current assets					
Inventories	13	153,988,122	150,643,201	-	-
Trade and other receivables	14	239,420,367	189,579,742	1,794,394	4,219,427
Amounts due from related companies	15	20,904,928	86,764,049	133,377,496	44,575,982
Short term investments	16.c	207,753,636	477,522,202	51,222,602	102,283,948
Cash and cash equivalents	16.a	26,229,673	38,792,748	7,233,655	22,755,279
Total current assets		648,296,726	943,301,942	193,628,147	173,834,636
Total assets		1,250,273,890	1,412,636,607	379,028,147	359,234,636
EQUITY					
Stated capital	17	314,000,000	314,000,000	314,000,000	314,000,000
Reserves	18	197,830,609	119,752,618	3,054,017	3,054,017
Retained earnings		276,825,335	568,885,116	38,732,224	21,072,839
Total equity		788,655,944	1,002,637,734	355,786,241	338,126,856
Liabilities					
Non-current liabilities					
Deferred tax liabilities	19	45,136,506	34,157,170	-	-
Employee benefits	20	28,048,866	26,311,423	-	-
Total non-current liabilities		73,185,372	60,468,593	-	-
Current liabilities					
Trade and other payables	21	194,938,234	213,340,156	9,580,389	7,503,232
Amounts due to related companies	15	2,304,873	4,313,381	6,838,781	3,423,856
Current tax liabilities		162,425,604	130,984,230	6,822,736	10,180,692
Bank overdrafts	16.b	28,763,863	892,513	-	-
Total current liabilities		388,432,574	349,530,280	23,241,906	21,107,780
Total liabilities		461,617,946	409,998,873	23,241,906	21,107,780
Total equity and liabilities		1,250,273,890	1,412,636,607	379,028,147	359,234,636

The accounting policies and notes from pages 41 to 74 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.)

Dilantha Jayawardana
Group Chief Financial Officer

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.)

M. I. Abdul Wahid
Managing Director

Statement of Changes in Equity - Group

	Stated capital	Capital reserves	Revaluation reserve	Employee share option reserve	General reserve	Retained earnings	Total equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	216,366,559	216,366,559
Other comprehensive income, net of tax	-	-	-	-	-	(1,535,510)	(1,535,510)
Total comprehensive income for the year, net of tax	-	-	-	-	-	214,831,049	214,831,049
Transactions with owners, recognised directly in equity							
Final dividend Paid - 2015/16	-	-	-	-	-	(6,280,000)	(6,280,000)
Interim dividend Paid - 2016/17	-	-	-	-	-	(411,340,000)	(411,340,000)
Balance as at 31 March 2017	314,000,000	1,784,545	116,698,601	-	1,269,472	568,885,116	1,002,637,734
Balance as at 1 April 2017	314,000,000	1,784,545	116,698,601	-	1,269,472	568,885,116	1,002,637,734
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	210,580,525	210,580,525
Other comprehensive income, net of tax	-	-	76,583,200	-	-	(240,306)	76,342,894
Total comprehensive income for the year, net of tax	-	-	76,583,200	-	-	210,340,219	286,923,419
Transactions with owners, recognised directly in equity							
Equity settled share based transactions	-	-	-	1,494,791	-	-	1,494,791
Interim dividend Paid - 2017/18	-	-	-	-	-	(502,400,000)	(502,400,000)
Balance as at 31 March 2018	314,000,000	1,784,545	193,281,801	1,494,791	1,269,472	276,825,335	788,655,944

Statement of Changes in Equity - Company

	Stated capital Rs.	Capital reserves Rs.	General reserve Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1 April 2016	314,000,000	1,784,545	1,269,472	53,795,351	370,849,368
Total comprehensive income for the year					
Profit for the year	-	-	-	384,897,488	384,897,488
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	-	384,897,488	384,897,488
Transactions with owners of the Company, recognised directly in equity					
Final dividend Paid - 2015/16	-	-	-	(6,280,000)	(6,280,000)
Interim dividend Paid - 2016/17	-	-	-	(411,340,000)	(411,340,000)
Balance as at 31 March 2017	314,000,000	1,784,545	1,269,472	21,072,839	338,126,856
Balance as at 1 April 2017	314,000,000	1,784,545	1,269,472	21,072,839	338,126,856
Total comprehensive income for the year					
Profit for the year	-	-	-	520,059,385	520,059,385
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	-	520,059,385	520,059,385
Transactions with owners of the Company, recognised directly in equity					
Interim dividend Paid - 2017/18	-	-	-	(502,400,000)	(502,400,000)
Balance as at 31 March 2018	314,000,000	1,784,545	1,269,472	38,732,224	355,786,241

Figures in the brackets indicated deduction

The accounting policies and notes from pages 41 to 74 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Cash flows from operating activities					
Profit before taxation		365,835,000	348,423,408	546,432,066	410,379,880
Adjustments for:					
Depreciation on property, plant and equipment	10	44,400,453	41,807,331	-	-
Employee benefits	20	5,656,987	4,991,116	-	-
Net finance income	5	(65,265,980)	(93,541,944)	(14,937,963)	(18,486,881)
Write back of creditors		(6,286,491)	(1,545,183)	-	-
Gain on disposal of property, plant and equipment		-	(530,717)	-	-
Equity settled share base payment transactions		1,494,791	-	-	-
Provision / (reversal) for trade and other receivables		(1,358,763)	(2,413,429)	-	-
Operating profit before working capital changes		344,475,997	297,190,582	531,494,103	391,892,999
Changes in working capital					
(Increase) / Decrease in inventories		(3,344,921)	(49,256,924)	-	-
(Increase) / Decrease in trade and other receivables		(80,376,836)	(82,143,828)	2,425,033	(13,703,069)
(Increase) / Decrease in related company receivables		65,859,121	(25,388,106)	(88,801,514)	30,523,373
Increase / (Decrease) in trade and other payables		(12,115,427)	(35,278,508)	2,077,157	(7,204,244)
Increase / (Decrease) in related company payables		(2,008,508)	(3,915,859)	3,414,925	(1,673,083)
Cash generated from operations		312,489,426	101,207,357	450,609,704	399,835,976
Finance cost paid	5.2	(1,261,881)	(696,244)	(32,018)	(63,592)
Retiring gratuity paid	20	(4,253,302)	(2,049,355)	-	-
Income tax paid		(98,518,532)	(26,574,027)	(29,730,637)	(9,278,498)
Net cash generated from operating activities		208,455,711	71,887,731	420,847,049	390,493,886
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(90,950,563)	(133,772,804)	-	-
Proceeds from sale of property, plant and equipment	10	-	551,538	-	-
Interest income received	5.1	66,527,861	94,238,188	14,969,981	18,550,473
Net cash generated / (used in) from investing activities		(24,422,702)	(38,983,078)	14,969,981	18,550,473
Cash flows from financing activities					
Dividend paid to shareholders		(494,236,000)	(407,826,252)	(502,400,000)	(407,826,252)
Net cash used in financing activities		(494,236,000)	(407,826,252)	(502,400,000)	(407,826,252)
Net increase in cash and cash equivalents		(310,202,991)	(374,921,599)	(66,582,970)	1,218,107
Movement in cash and cash equivalents					
At the beginning of the year		515,422,437	890,344,036	125,039,227	123,821,120
Movement during the year		(310,202,991)	(374,921,599)	(66,582,970)	1,218,107
At the end of the period	16 - b	205,219,446	515,422,437	58,456,257	125,039,227

Figures in the brackets indicated deduction

The accounting policies and notes from pages 41 to 74 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 Group as at and for the year ended 31 March 2018 comprise the Kotmale Holdings PLC (Parent Company) and its subsidiaries (together referred to as the 'Group').

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

The principal activities of the Group are;

1. Manufacturing and distributing dairy products under the brand name of 'KOTMALE'.
2. Investment holding company.

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

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 Director's Responsibility" on page 32 to in the Annual report.

1.2 Basis of preparation

1.2.1 Basis of Measurement

Item	Basis of measurement	Note No.
Property Plant and Equipment	Cost / Revaluation	10
Employee Benefits	Liability is recognised as the present value of the defined benefit obligation.	20
Employee share option	Fair value	18

The Financial Statements of the Company and the Group have been prepared on the historical cost basis except for the following items in the Statement of Financial Position:

1.2.2 Statement of Compliance

The Consolidated Financial Statements of the Group and Separate Financial Statements of the Company, as at 31st March 2018 and for the year then ended, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS), laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007, and the Listing Rules of the Colombo Stock Exchange.

These financial statements include the following components:

- A Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company and the Group for the year under review
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year-end
- A Statement of Changes in Equity depicting all changes in shareholder's equity during the year under review of the Company and the Group
- A Statement of Cash Flows providing the information to the users, on the ability of the Company and the Group to generate cash and cash equivalents and the needs of entity to utilize those cash flows and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

These financial statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Notes to the Financial Statements contd...

1.2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company and the Group for the year ended 31st March 2018 (including comparatives) were approved and authorised for issue on 02 August 2018.

1.2.4 Presentation of Financial Statements

The assets and liabilities of the Company and the Group in the Statement of Financial Position are grouped by nature. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

1.2.5 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lanka Rupees (Rs.), which is the Group's functional and presentation currency.

1.2.6 Materiality & Aggregation

In compliance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements', each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, unless they are immaterial.

1.2.7 Comparative Information

The accounting policies have been consistently applied by the Company and the Group with those of the previous financial year in accordance with the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'. Comparative information is reclassified wherever necessary to comply with the current presentation.

1.2.8 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Financial Statements of the Company and the Group in conformity with SLFRS and LKAS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Further, management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

Accounting judgements, 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.

The key significant accounting judgements, estimates and assumptions involving uncertainty of respective carrying amounts of such assets and liabilities are as given in related Notes.

Note 10 – Property, Plant and Equipment

Note 19 – Deferred taxation

Note 20 – Employee benefits

1.2.9 Going Concern

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

1.3 Significant Accounting Policies

1.3.1 Basis of Consolidation

The Consolidated Financial Statements comprise of financial statements of the Company, its subsidiaries for the year ended 31st March 2018, the financial statements of the Company's subsidiaries are prepared for the same reporting year using consistent accounting policies.

1.3.1.1 Business combination 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.

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 Company and continue to be consolidated until the date when 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.

1.3.1.3 Transactions Eliminated on Consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-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 Transactions and Balances

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 were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot rate of exchange at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined. Foreign currency differences are generally recognised in profit or loss.

Notes to the Financial Statements contd...

1.5 Assets and the Bases of their valuation

1.5.1 Financial Instruments – Initial Recognition and Subsequent Measurement

1.5.1.1 Date of Recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group and Company becomes a party to the contractual provisions of the instrument.

1.5.1.2 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'.

1.5.1.3 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) Available-for-sale (AFS) financial assets.

The subsequent measurement of Financial Assets depends on their classification.

Financial Investments 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 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.

1.5.1.3.2 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 recognised in equity is recognised in the Profit or Loss. 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 Profit or Loss when the right of the income has been established. The losses arising from impairment of such investments are recognised in Profit or Loss and removed from the 'Available for sale reserve'.

1.5.1.3.3 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 amortisation is included in 'Interest income' in Profit or Loss. The losses arising from impairment are recognised in Profit or Loss.

1.5.1.4 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.

1.5.1.4.1 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 Profit or Loss.

1.5.1.4.2 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 Profit or Loss. Gains and losses are recognised in Profit or Loss when the liabilities are de-recognize as well as through the EIR amortisation process.

1.5.1.5 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:

Notes to the Financial Statements contd...

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 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.

1.5.1.6 De-recognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised 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 has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

On de-recognition 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 recognised 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 de-recognised 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 de-recognition 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.

1.5.1.7 Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

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

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1.5.1.8 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.

1.5.1.9 Loans and Receivables

Losses for impaired loans are recognised 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.

1.5.1.10 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 Profit or Loss.

1.5.1.11 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.

Notes to the Financial Statements contd...

1.5.1.12 Impairment of Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash – generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

1.5.2 Property, plant and equipment

1.5.2.1 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.

1.5.2.2 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 de-recognised.

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

1.5.2.3 De-recognition

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

1.5.2.4 Depreciation

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

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

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

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

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

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

1.5.2.5 Revaluation

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the

revaluation surplus in respect of that asset. The company transfer portion of revaluation reserve to retained earnings as the assets are used by the entity, since the future economic benefits embodied in the assets are consumed principally through its use rather than on retirement or disposal.

1.5.2.6 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.

1.5.3 Short Term Investment

Short term investments consist of investment in re-purchase agreements and fixed deposits with a maturity period of less than 90 days.

1.5.4 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, and with banks at short notice that are subject to an insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

1.5.5 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the normal course of business less estimated cost of realisation and/ or cost of conversion from their existing state to saleable condition.

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

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

Notes to the Financial Statements contd...

1.5.6 Employee Benefits

1.5.6.1 Defined contribution plans – Employees' Provident Fund and Employees' 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 Profit or Loss, as incurred.

1.5.6.2 Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1.5.6.3 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 20 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.

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.

Funding Arrangements

The gratuity liability is not externally funded.

1.5.7 Dividend Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended by and declared by the Board of Directors and approved by the shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

1.5.8 Liabilities and Provisions

1.5.8.1 Liabilities

Liabilities classified as current liabilities on the Statement of Financial Position are those, which fall due for payment on demand or within one year from the reporting date.

Non-current liabilities are those balances that fall due for payment after one year from the balance sheet date.

1.5.8.2 Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.5.9 Capital Commitments and Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Company and Group are disclosed in the respective notes to the financial statements

Statement of Profit or Loss and Other Comprehensive Income

1.6 Expenditure Recognition

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.

1.6.5.4 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.

1.6.5.5 Income tax expense

1.6.5.5.1 Current tax

The current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the Financial Statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the Financial Statements.

Provision for current tax for companies incorporated in Sri Lanka has been computed in accordance with the Inland Revenue Act No. 10 of 2006 and its amendments thereto.

1.6.5.5.2 Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Notes to the Financial Statements contd...

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

Withholding tax on the Intra-Group dividends are recognised as a tax expense in the Consolidated Income Statement. Deferred tax is provided on the undistributed profits of the Group companies only to the extent that it is probable distribution will be made, as the holding company has control over the dividend policy of the Group companies.

1.7 Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

1.8 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

1.9 Related party transaction

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

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

1.10 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 Flows', 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. Cash and Cash Equivalents as referred to in the Statement of Cash Flows are comprised of those items as explained in note 16.

1.11 Standards issued but not yet effective

Sri Lanka Accounting Standard – SLFRS 9 “Financial Instruments” effective for annual periods beginning on or after 1st of January 2018.

SLFRS 9 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During the financial year, the Group has performed an impact assessment of all three aspects of SLFRS 9 and determined that its impact on the Financial Statements would be insignificant. This assessment is based on currently available information and may be subject to changes arising from further analysis.

Sri Lanka Accounting Standard - SLFRS 15 Revenue from Contracts with Customers effective for annual periods beginning on or after 1st of January 2018.

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1st January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During the year, the Group performed an assessment of SLFRS 15 and determined that its impact on the Financial Statements would be insignificant. This assessment is based on currently available information and may be subject to changes arising from further analysis.

Sri Lanka Accounting Standard - SLFRS 16 Leases effective for annual periods beginning on or after 1st of January 2019.

SLFRS 16 replaces LKAS 17 Leases and related interpretations. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

SLFRS 16 is effective for annual periods beginning on or after 1st January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group plans to assess the potential effect of SLFRS 16 on its consolidated Financial Statements.

Notes to the Financial Statements contd...

For the year ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
2. REVENUE				
Gross revenue on liquid milk based products	2,364,533,445	2,176,492,051	-	-
Revenue related taxes	(47,290,669)	(43,529,841)	-	-
Net revenue	2,317,242,776	2,132,962,210	-	-

3. COST OF SALES

Cost of sales of the Group includes direct operating cost.

For the year ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
4. OTHER INCOME				
Dividend income	-	-	452,243,921	319,371,338
Royalty income	107,115,339	98,906,089	107,115,339	98,906,089
Reversal of provision for trade and other receivable	1,358,763	2,413,429	-	-
Write back of creditors	6,286,491	1,545,183	-	-
Gain on disposal of property, plant and equipment	-	530,717	-	-
Sundry income	317,024	272,878	-	-
	115,077,617	103,668,296	559,359,260	418,277,427

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

For the year ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
5. NET FINANCE INCOME				
5.1 Finance income				
Interest income	66,527,861	94,238,188	14,969,981	18,550,473
	66,527,861	94,238,188	14,969,981	18,550,473
5.2 Finance cost				
Bank charges	725,469	651,457	23,550	63,592
Inter company interest	8,468	2,247	8,468	-
Bank overdrafts	82,223	42,540	-	-
Net exchange loss	445,721	-	-	-
	1,261,881	696,244	32,018	63,592
Net finance income	65,265,980	93,541,944	14,937,963	18,486,881

For the year ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.

6. PROFIT BEFORE TAXATION

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

Auditors' remuneration - for audit	1,226,000	1,140,700	500,000	430,000
- for non audit	193,194	115,000	64,398	45,000
Depreciation on property, plant and equipments (Note 10)	44,400,453	41,807,331	-	-
Staff costs (Note 6.1)	193,366,535	212,974,513	-	-

6.1 Staff cost

Salaries, wages and other related costs	144,976,328	173,707,258	-	-
Employee benefits (Note 20)	5,656,987	4,991,116	-	-
Directors' emoluments	23,176,373	17,420,928	-	-
Equity settled share based payment transactions (Note 18.3)	1,494,791	-	-	-
Gratuity charged from inter company	819,187	333,226	-	-
Defined contribution plan cost - EPF and ETF	17,242,869	16,521,985	-	-
	193,366,535	212,974,513	-	-
Number of employees as at 31 March	197	239	-	-

For the year ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.

7. INCOME TAX EXPENSE

Income tax on current year profit (Note 7.1)	103,434,390	97,795,689	26,372,681	25,482,392
(Over)/ under provision in respect of previous year	-	(3,567,764)	-	-
Withholding tax on related company dividend	50,256,486	37,176,782	-	-
Deferred tax expense (Note 7.2)	1,563,599	652,142	-	-
	155,254,475	132,056,849	26,372,681	25,482,392

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

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

- ii. During the year the Group has paid Economic Service Charge (ESC) amounting to Rs. 11,783,238 (2017 -Rs. 10,822,460).

Notes to the Financial Statements contd...

For the year ended 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
7.1 Reconciliation between income tax charge and tax on current year profit is given below;				
Profit before taxation	365,835,000	348,423,408	546,432,066	410,379,880
Aggregate other income	(66,527,861)	(94,238,188)	(14,969,981)	(18,550,473)
Aggregate exempt income	-	-	(452,243,921)	(319,371,338)
Aggregate disallowed expenses	60,229,313	48,782,584	-	-
Aggregate allowable expenses	(55,483,146)	(49,313,085)	-	-
Tax losses incurred	986,637	846,914	-	-
Aggregate taxable profit on disposal of plant and machinery	-	530,498	-	-
Adjusted profit (a)	305,039,943	255,032,131	79,218,164	72,458,069
Taxable income from other sources	66,527,861	94,238,188	14,969,981	18,550,473
Statutory income (b)	66,527,861	94,238,188	14,969,981	18,550,473
Tax losses brought forward	38,756,776	37,909,862	-	-
Tax losses added	986,637	846,914	-	-
Tax losses utilised (c)	(2,159,270)	-	-	-
Tax losses carried forward	37,584,143	38,756,776	-	-
Taxable income (a+b+c)	369,408,534	349,270,319	94,188,145	91,008,542
Income tax @ 28% (2017 - @ 28%)	103,434,390	97,795,689	26,372,681	25,482,392
Income tax expense on current year profit	103,434,390	97,795,689	26,372,681	25,482,392

7.2 Deferred income tax;

Deferred tax expense arising from;

Accelerated depreciation for tax purposes	1,994,727	800,065	-	-
Employee benefit liabilities	(393,032)	(823,693)	-	-
(Increase) / decrease in provisions and employee share options scheme	(38,096)	675,770	-	-
Deferred tax charge	1,563,599	652,142	-	-

Deferred tax has been computed using tax rates and tax laws that are enacted or substantially enacted at the reporting date. The deferred tax effect on reserves on subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

7.3 Temporary differences associated with Kotmale Milk Foods Ltd. 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	2018 Tax effect on Temporary difference	Temporary difference	2017 Tax effect on Temporary difference
	Rs.	Rs.	Rs.	Rs.
Deductible temporary difference (carried forward tax losses)	39,378,435	11,025,962	40,551,067	11,354,299

Deferred tax is not recognised since it is not probable that taxable profits will be available against which the above deductible temporary differences amounting to Rs. 39,378,435 (2017 - Rs. 40,551,067) could be utilized in accordance with LKAS 12 - "Income taxes"

For the year ended 31 March	Group		Company	
	2018	2017	2018	2017
8. EARNINGS PER SHARE				
Profit attributable to ordinary share holders (Rs.)	210,580,525	216,366,559	520,059,385	384,897,488
Weighted average number of ordinary shares	31,400,000	31,400,000	31,400,000	31,400,000
Basic earnings per share (Rs.)	6.71	6.89	16.56	12.26

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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
9. DIVIDEND PER SHARE				
Dividend per share	16.00	13.30	16.00	13.30

The Company has paid Rs. 502,400,000 for the year ended 31 March 2018. (2017 - Rs. 417,620,000)

Notes to the Financial Statements contd...

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land	Freehold building	Expenditure incurred on leasehold building	Plant, machinery and equipment	Motor vehicle	Furniture and fittings	Computer and accessories	Total 2018	Total 2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April	149,899,000	92,868,537	15,500,000	397,513,109	21,754,064	10,966,467	10,701,848	699,203,025	555,859,979
Additions	-	-	-	58,336,309	224,480	894,930	1,463,100	60,918,819	143,616,145
Write off	-	-	(15,500,000)	-	-	-	-	(15,500,000)	(273,099)
Revaluation	52,131,000	12,136,463	-	-	-	-	-	64,267,463	-
Balance as at 31 March	202,030,000	105,005,000	-	455,849,418	21,978,544	11,861,397	12,164,948	808,889,307	699,203,025

Depreciation

Balance as at 1 April	-	16,971,732	15,500,000	232,568,262	20,567,184	8,965,327	8,981,406	303,553,911	261,998,858
Charge for the year	-	4,853,194	-	37,046,854	637,809	869,381	993,215	44,400,453	41,807,331
Write off	-	-	(15,500,000)	-	-	-	-	(15,500,000)	(252,278)
Revaluation	-	(21,824,926)	-	-	-	-	-	(21,824,926)	-
Balance as at 31 March	-	-	-	269,615,116	21,204,993	9,834,708	9,974,621	310,629,438	303,553,911
Carrying value	202,030,000	105,005,000	-	186,234,302	773,551	2,026,689	2,190,327	498,259,869	395,649,114
Capital working progress	-	-	-	-	-	-	-	47,854,021	17,822,277
Carrying value as at 31 March	202,030,000	105,005,000	-	186,234,302	773,551	2,026,689	2,190,327	546,113,890	413,471,391

For the year ended 31 March	Land		Building	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.

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

Group	Land	Building
Cost	73,571,700	26,057,618
Accumulated depreciation	-	(9,347,402)
Carrying value	73,571,700	16,710,216

- b. The freehold land and building of the Group was revalued as at 31 March 2018 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 2018.
- 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. 115,870,358 (2017- Rs. 79,629,275).

e. Group real estate portfolio

Location	Land extent	Building area (Sq. ft.)	Valuation Rs.	Year of valuation
Kotmale Dairy Products (Pvt) Ltd.				
Mulleriyawa	1.8 Acres	28,862	186,690,000	2018
Bogahawatta	1 Acres	16,304	28,500,000	2018
Hatton	17.5 Acres	12,479	91,845,000	2018

f. 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	2018 Valuation Rs.
Mulleriyawa	Open market value	31/03/2018	Mr.Tissa Weeratne FIVSL	1.8 Acres	28,862	Market value per perch/ Sq.ft.	186,690,000
Bogahawatta	Open market value	31/03/2018	Mr.Tissa Weeratne FIVSL	1 Acres	16,304	Market value per perch/ Sq.ft.	28,500,000
Hatton	Open market value	31/03/2018	Mr.Tissa Weeratne FIVSL	17.5 Acres	12,479	Market value per perch/ Sq.ft.	91,845,000

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.

11. INTANGIBLE ASSETS

Gross value

At the beginning of the year	97,773,232	97,773,232	-	-
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Impairment

At the beginning of the year	(41,909,958)	(41,909,958)	-	-
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Impairment for the year

At the end of the year	(41,909,958)	(41,909,958)	-	-
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Net carrying value

	55,863,274	55,863,274	-	-
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Goodwill as at the reporting date has been tested for impairment and no additional impairment in carrying value was identified. Recoverable value has been estimated based on the value in use method as stipulated in LKAS 36 - "Impairment of Assets".

Notes to the Financial Statements contd...

As at 31 March	Shares	(%)	Group		Company	
			2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
12. INVESTMENT IN SUBSIDIARIES						
Kotmale Products Ltd.	10,372,560	100	-	-	185,400,000	185,400,000
Kotmale Milk Foods Ltd.	70	100	-	-	30,000,060	30,000,060
Provision for the investment in Kotmale Milk Foods Ltd.			-	-	(30,000,060)	(30,000,060)
			-	-	185,400,000	185,400,000

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
13. INVENTORIES				
Finished goods	63,336,322	57,810,736	-	-
Raw materials	40,089,745	44,047,675	-	-
Packing materials	20,322,929	22,840,685	-	-
Others	30,239,126	25,944,105	-	-
	153,988,122	150,643,201	-	-

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

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
14. TRADE AND OTHER RECEIVABLES				
Trade receivables	185,173,610	158,870,289	-	-
Provision for trade receivables	(11,297,987)	(12,656,750)	-	-
	173,875,623	146,213,539	-	-
Staff debtors (Note 14.1)	641,434	582,084	-	-
Other receivables (Note 14.2)	3,149,303	1,592,920	-	-
Deposits, advances and prepayments	61,754,007	41,191,199	1,794,394	4,219,427
	239,420,367	189,579,742	1,794,394	4,219,427

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

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
14.1 Staff debtors				
Balance at the beginning of the year	582,084	544,005	-	-
Advances given during the year	4,954,570	3,860,002	-	-
Repayments	(4,895,220)	(3,821,923)	-	-
Balance at the end of the year	641,434	582,084	-	-
14.2 Other receivables				
Receivable from farmers (14.2-a)	7,466,722	5,797,153	-	-
Other debtors	3,011,182	3,124,368	-	-
	10,477,904	8,921,521	-	-
Provision for other receivables	(7,328,601)	(7,328,601)	-	-
	3,149,303	1,592,920	-	-

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

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
15. AMOUNT DUE FROM / DUE TO RELATED COMPANIES				
Amount due from related companies				
Parent				
Cargills Quality Dairies (Pvt) Ltd.	6,740,057	77,006,817	30,706,527	193,301
Cargills Quality Foods Ltd.	-	501,082	568	568
	6,740,057	77,507,899	30,707,095	193,869
Subsidiaries				
Kotmale Milk Products Ltd.	-	-	-	18,438,381
Kotmale Milk Foods Ltd.	-	-	-	2,474,640
Kotmale Dairy Products (Pvt) Ltd.	-	-	102,670,401	20,471,420
Kotmale Products Ltd.	-	-	-	2,997,672
	-	-	102,670,401	44,382,113
Common Parent Subsidiaries				
Cargills Foods Company (Pvt) Ltd.	12,680,471	8,902,906	-	-
Cargills Ceylon PLC	1,219,655	-	-	-
Cargills Quality Confectioneries (Pvt) Ltd	70,314	31,161	-	-
Cargills Food Processors (Pvt) Ltd.	179,972	62,849	-	-
Cargills Food Services (Pvt) Ltd.	14,459	259,234	-	-
	14,164,871	9,256,150	-	-
Total amount due from related companies	20,904,928	86,764,049	133,377,496	44,575,982

Notes to the Financial Statements contd...

Amount Due From / Due to Related Companies (Contd.)

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Amount due to related companies				
Parent				
Cargills (Ceylon) PLC	-	4,186,071	6,830,313	3,423,856
Cargills Quality Foods Ltd.	383,368	-	-	-
	383,368	4,186,071	6,830,313	3,423,856
Common Parent Subsidiaries				
Cargills Agrifoods Ltd.	1,657,342	127,310	-	-
Millers Ltd.	264,163	-	-	-
Cargills Foods Company (Pvt) Ltd.	-	-	8,468	-
	1,921,505	127,310	8,468	-
Total amount due to related companies	2,304,873	4,313,381	6,838,781	3,423,856

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.

16. CASH AND CASH EQUIVALENTS

a. Cash at banks and in hand

Cash at bank	25,884,673	38,545,115	7,233,655	22,755,279
Cash in hand	345,000	247,633	-	-
	26,229,673	38,792,748	7,233,655	22,755,279

b. For the purpose of statement of cash flows the year end cash and cash equivalents comprise the following;

Short term investments	207,753,636	477,522,202	51,222,602	102,283,948
Cash at banks and in hand	26,229,673	38,792,748	7,233,655	22,755,279
Bank overdrafts	(28,763,863)	(892,513)	-	-
Cash and cash equivalents as at 31 March	205,219,446	515,422,437	58,456,257	125,039,227

c. Short term investments

Call/fixed deposits	85,119,235	392,185,124	51,222,602	102,283,948
Re-purchase agreements	122,634,401	85,337,078	-	-
	207,753,636	477,522,202	51,222,602	102,283,948

17. STATED CAPITAL

Issued and fully paid;

31,400,000 ordinary shares	314,000,000	314,000,000	314,000,000	314,000,000
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As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
18. RESERVES				
Capital reserves				
Employee share option reserve (Note 18.3)	1,494,791	-	-	-
Revaluation reserve	193,281,801	116,698,601	-	-
Capital reserve	1,784,545	1,784,545	1,784,545	1,784,545
	196,561,137	118,483,146	1,784,545	1,784,545
Revenue reserves				
General reserve	1,269,472	1,269,472	1,269,472	1,269,472
	197,830,609	119,752,618	3,054,017	3,054,017

18.1 Revaluation reserve consists of net surplus resulting from revaluation of land and building.

18.2 General reserve represents the amount set aside by the Directors for general application.

18.3 Share based arrangements

A. Description of share-based payment arrangements

At 31st March 2018, the Group had the following share-based payment arrangements.

i. Share option programmes (Equity-settled)

On 29th June 2017, the Directors of Cargills Ceylon PLC (intermediate parent of Kotmale Holdings PLC) established an Employee Share Option Scheme (ESOS) that entitle key management personnel to purchase shares in Cargills Ceylon PLC.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by the physical delivery of shares.

Grant date/Employees entitled	Number of instruments	Vesting conditions	Vesting date	Exercise date	Exercise duration
Options granted to key management personnel and senior employees.	33,268	Remaining in employment up until vesting period	September 30,2017	October 1,2017 to March 31,2019	1 Year & 6 Months

B. Measurement of fair values

i. Equity-settled share-based payment arrangements

The fair value of the employee share purchase plan has been measured using Binomical Valuation Model taking into consideration the various terms and conditions upon which the share options were granted by Cargills Ceylon PLC.

ii. Exercise Price

Based on a Grant date of 29th June 2017 the exercise price of Tranche 1 of the ESOS is Rs.184.98 , being the Volume Weighted Average Price (VWAP) of the CCP share during thirty (30) market days immediately prior to the Grant date.

The cost of Share Based Payments accounted for the Company's Financial Statements for the year amounted to Rs. 1,494,791.

Notes to the Financial Statements contd...

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
19. DEFERRED TAX LIABILITIES				
At the beginning of the year	34,157,170	34,102,171	-	-
Origination and reversal of temporary differences	10,979,336	54,999	-	-
At the end of the year	45,136,506	34,157,170	-	-
Deferred tax liability arising from				
- Temporary difference of property, plant and equipment	58,088,275	46,584,358	-	-
- Temporary difference of employee benefits	(7,853,682)	(7,367,198)	-	-
- Temporary difference of provisions	(4,679,546)	(5,059,990)	-	-
- Temporary difference of employee share options scheme	(418,541)	-	-	-
As at 31 March	45,136,506	34,157,170	-	-
Origination/ (reversal) of Deferred tax				
Total expense charged to profit or loss	1,563,599	652,142	-	-
Total expense charged / (reversed) to other comprehensive income	9,415,737	(597,143)	-	-
	10,979,336	54,999	-	-

The Inland Revenue Act No 24 of 2017 and new tax rates including capital gains taxes are effective from 1 April 2018. Accordingly the income tax charge for the year ended 31 March 2018 has been computed on rates applicable in the year of assessment 2017/2018. The provision for deferred tax at 31 March 2018 has been calculated at rates and on capital gains applicable post 1 April 2018.

Due to uncertainties that exist on the interpretation of the new law relating to freehold land for tax purposes, significant judgement was exercised to determine the provision required for deferred taxes on capital gains applicable to freehold land.

Having sought independent professional legal advice, the Group is of the view that the freehold land used in the business falls under the category of "Investment Assets" and accordingly deferred tax has been provided on the related gain on revaluation. In the event it is deemed that freehold land be considered as "Capital Assets used in the business", the Group would have to make an additional deferred tax charge in the other comprehensive income for the year ended 31st March amounting to Rs. 10.5 Million with a consequential increase in the deferred tax liability on the statement of financial position.

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
20. EMPLOYEE BENEFITS				
At the beginning of the year	26,311,423	21,237,009	-	-
Expense recognised in profit or loss	5,656,987	4,991,116	-	-
Expense recognised in other comprehensive income	333,758	2,132,653	-	-
Contributions paid	(4,253,302)	(2,049,355)	-	-
At the end of the year	28,048,866	26,311,423	-	-

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

Current service cost	2,631,173	2,761,230	-	-
Interest cost	3,025,814	2,229,886	-	-
	5,656,987	4,991,116	-	-

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

Actuarial loss	333,758	2,132,653	-	-
	333,758	2,132,653	-	-

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 2018. The Principle assumptions used in Actuarial valuation were as follows;

	Group	
	2018	2017
e. Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	10.50%	11.50%
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.

Notes to the Financial Statements contd...

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.

Group	2018		2017	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate (1% movement)	(1,616,188)	1,798,027	(1,313,276)	1,455,196
Future salary increment rate 1% movement)	1,853,832	(1,691,351)	1,531,062	(1,402,848)

As at 31 March	Group		Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.

21. TRADE AND OTHER PAYABLES

Trade payables	75,034,744	103,625,078	-	-
Other payables	51,049,296	39,688,884	3,061,434	2,421,204
Accrued expenses	64,460,796	67,005,777	2,125,569	2,061,623
Dividend payable	4,393,398	3,020,417	4,393,386	3,020,405
	194,938,234	213,340,156	9,580,389	7,503,232

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
Kotmale Dairy Products (Pvt) Ltd.			
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.
Kotmale Milk Products Ltd.			
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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Future payment of operating lease rental;				
- Payable within 1 year	3,509,000	3,683,000	-	-
- Payable between 1-5 years	-	3,509,000	-	-
	3,509,000	7,192,000	-	-

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. 90 Mn. (Details on Note 22)

Kotmale Milk Products Ltd. - Rs. 25 Mn. (Details on Note 22)

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 / concessionary rate 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. 76.9 Mn

Having sought professional advice, management is confident that the tax exemption / concessionary rate 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 on the view that any pending litigation will not have a material impact on the financial statements.

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

25. EVENTS AFTER THE REPORTING DATE

The royalty arrangement between Kotmale Holdings PLC and its parent Cargills Quality Diaries (Pvt) Ltd., was decided to be terminated by the Board of Directors of both the Companies with effect from 1st April 2018.

Except for the matter as disclosed above, there are no significant events that have taken place since the reporting date which would require any adjustments or disclosure in the financial statements.

Notes to the Financial Statements contd...

26. TRANSACTIONS WITH GROUP COMPANIES

Companies within the group engaging 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.

a. Transaction with key management personnel (KMP)

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

The Group has paid Rs. 23.18 Mn (2017 - Rs. 17.4 Mn) to directors as emoluments and no post employment benefits during the year (2017 - 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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Parent				
Royalty income	107,115,339	98,906,089	107,115,339	98,906,089
Sales	294,761,521	789,115,432	-	-
Purchases	(185,610,628)	(52,291,684)	-	-
Settlements	(245,498,276)	(843,089,505)	-	(156,087,720)
Others	30,158,140	28,865,087	-	28,412,869
Subsidiary				
Dividend	-	-	452,243,921	319,371,338
Settlements	-	-	(452,308,374)	(322,787,808)
Others	-	-	(481,824)	(11,225)
Other Related Companies				
Sales	513,080,327	442,700,048	-	-
Purchases	9,309,102	(14,820,656)	-	-
Settlements	(544,781,153)	(430,241,877)	-	-
Others	26,990,536	2,716,001	-	-

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

d. There were no recurrent related party transactions which in aggregate value exceeds 10% of the revenue of the Group or Company as per 31 March 2018 financial Statements, which required additional disclosures in the 2017/18 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	
			2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Cargills Quality Dairies (Pvt) Ltd.	Parent Company	Royalty Received	107,115,339	98,906,089	107,115,339	98,906,089
Cargills Quality Dairies (Pvt) Ltd.	Parent Company	Raw Milk Sales	291,921,591	780,189,473	-	-
Kotmale Products Ltd.	Subsidiary	Dividend Received	-	-	452,243,921	319,371,338
Cargills Foods Company (Pvt) Ltd.	Common Parent	Supermarket Sales	501,300,724	439,249,179	-	-

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

e. Amounts due from / due to related companies

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

Notes to the Financial Statements contd...

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	Group		Company	
	Loans and receivables		Loans and receivables	
Financial assets by categories	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Financial instruments in current assets				
Trade and other receivables	239,420,367	189,579,742	1,794,394	4,219,427
Amounts due from related companies	20,904,928	86,764,049	133,377,496	44,575,982
Short term investments	207,753,636	477,522,202	51,222,602	102,283,948
Cash and cash equivalents	26,229,673	38,792,748	7,233,655	22,755,279
Total	494,308,604	792,658,741	193,628,147	173,834,636

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

Financial liabilities by categories	Group		Company	
	Financial liabilities measured at amortised cost		Financial liabilities measured at amortised cost	
	2018	2017	2018	2017
	Rs.	Rs.	Rs.	Rs.
Financial instruments in current liabilities				
Trade and other payables	194,938,234	213,340,156	9,580,389	7,503,232
Amounts due to related companies	2,304,873	4,313,381	6,838,781	3,423,856
Bank overdrafts	28,763,863	892,513	-	-
Total	226,006,970	218,546,050	16,419,170	10,927,088

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

27.2.1 Financial assets by fair value hierarchy

As at 31 March	Note	Level 3	
		2018 Rs.	2017 Rs.
Non Financial Assets			
Assets measured at fair value			
Freehold land and buildings	10	307,035,000	-

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.

27.2.2 Assets and liabilities measured at fair value - Recurring

Asset and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment - Freehold land and building	Market comparable method - This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property	Price per perch of land and building/ Square foot	Estimated fair value will increase (decrease) if ; Price per perch/ Square foot increases/ (decreases)

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.

Notes to the Financial Statements contd...

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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
As at 31 March				
Trade receivables	173,875,623	146,213,539	-	-
Other receivables	3,149,303	1,592,920	-	-
Deposits and Advances	51,969,092	20,053,121	-	-
Amount due from related companies	20,904,928	86,764,049	133,377,496	44,575,982
Cash and cash equivalents	233,983,309	516,314,950	58,456,257	125,039,227
	483,882,255	770,938,579	191,833,753	169,615,209

28.1.1 Trade receivables

Past due neither nor impaired	-	-	-	-
Past due 1 - 30 days	88,001,098	80,370,865	-	-
Past due 31 - 60 days	43,014,285	40,140,517	-	-
Past due 61 - 90 days	24,071,555	16,012,426	-	-
> 91 days	18,788,685	9,689,731	-	-
	173,875,623	146,213,539	-	-

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 affiliate companies.

28.1.4 Cash and cash equivalents

The Group and the Company held cash and cash equivalents of Rs. 234 Mn and Rs. 58.5 Mn at 31 March 2018 (2017: Rs. 516.3 Mn and Rs. 125 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 one month 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.

28.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities as at 31 March 2018.

	Within 1 year Rs.	Between 1-2 years Rs.	Between 2-3 years Rs.	Between 3-4 years Rs.	Between 4-5 years Rs.	More than 5 years Rs.	Total Rs.
Group							
Financial instruments in current liabilities							
Trade and other payables	194,938,234	-	-	-	-	-	194,938,234
Amounts due to related companies	2,304,873	-	-	-	-	-	2,304,873
Bank overdraft	28,763,863	-	-	-	-	-	28,763,863
	226,006,970	-	-	-	-	-	226,006,970
Company							
Financial instruments in current liabilities							
Trade and other payables	9,580,389	-	-	-	-	-	9,580,389
Amounts due to related companies	6,838,781	-	-	-	-	-	6,838,781
	16,419,170	-	-	-	-	-	16,419,170

Notes to the Financial Statements contd...

The following are the contractual maturities of financial liabilities as at 31 March 2017.

	Within 1 year Rs.	Between 1-2 years Rs.	Between 2-3 years Rs.	Between 3-4 years Rs.	Between 4-5 years Rs.	More than 5 years Rs.	Total Rs.
Group							
Financial instruments in current liabilities							
Trade and other payables	213,340,156	-	-	-	-	-	213,340,156
Amounts due to related companies	4,313,381	-	-	-	-	-	4,313,381
Bank overdraft	892,513	-	-	-	-	-	892,513
	218,546,050	-	-	-	-	-	218,546,050
Company							
Financial instruments in current liabilities							
Trade and other payables	7,503,232	-	-	-	-	-	7,503,232
Amounts due to related companies	3,423,856	-	-	-	-	-	3,423,856
	10,927,088	-	-	-	-	-	10,927,088

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	
	2018	2017	2018	2017
Debt/Equity	59%	41%	7%	6%

Five Year Financial Summary

Group	2013/14 Rs. 000	2014/15 Rs. 000	2015/16 Rs. 000	2016/17 Rs. 000	2017/18 Rs. 000
Financial Results					
Net revenue	1,422,683	1,507,422	1,840,417	2,132,962	2,317,243
Results from operating activities	79,945	128,120	226,112	254,881	300,569
Profit before taxation	117,115	177,078	280,974	348,423	365,835
Profit attributable to equity shareholders of the parent	93,374	115,625	203,371	216,367	210,581
Financial Position					
Stated capital	314,000	314,000	314,000	314,000	314,000
Reserves	565,902	681,038	891,427	688,638	474,656
Capital and reserves	879,902	995,038	1,205,427	1,002,638	788,656
Current assets	853,154	980,012	1,181,459	943,302	648,297
Current liabilities	(305,506)	(273,306)	(298,083)	(349,530)	(388,433)
Working capital	547,648	706,706	883,376	593,772	259,864
Non Current assets	378,791	342,814	377,390	469,335	601,977
Non Current liabilities	(46,537)	(54,482)	(55,339)	(60,469)	(73,185)
Net assets	879,902	995,038	1,205,427	1,002,638	788,656
Key Indicators					
Growth in net revenue (%)	(35.51)	5.96	22.09	15.90	8.64
Growth in earnings (%)	(19.55)	23.83	75.89	6.39	(2.67)
Return on total assets (%)	7.58	8.74	13.05	15.32	16.84
Growth in total assets (%)	14.30	7.38	17.84	(9.38)	(11.49)
Growth in capital and reserves (%)	11.61	13.09	21.14	(16.82)	(45.08)
Return on investment (%)	10.61	11.62	16.87	21.58	26.70
Earnings per share (Rs.)	2.97	3.68	6.48	6.89	6.71
Dividend per share (Rs.)	-	-	0.20	13.30	16.00
Dividend pay out (times)	-	-	0.03	1.93	2.38
Dividend paid per share (Rs.)	-	-	0.20	13.30	16.00
Net assets per share (Rs.)	28.02	31.69	38.39	31.93	25.12
Market value per share (Closing) (Rs.)	52.00	60.10	-	90.40	200.70
Market capitalisation (Rs.)	1,632,800,000	1,887,140,000	-	2,838,560,000	6,301,980,000
Debt equity ratio (times)	0.40	0.33	0.29	0.41	0.59
Interest cover (times)	113.89	197.86	328.12	366.08	369.28
Current ratio (times)	2.79	3.59	3.96	2.70	1.67
Quick assets ratio (times)	2.51	3.30	3.62	2.27	1.27

(a) The above ratios have been computed based on 31,400,000 numbers of issued and fully paid shares as at 31 March 2018.

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

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

Investor Relations Supplement

1. General

Stated Capital	Rs. 314,000,000
Issued Shares	31,400,000
Class of Shares	Ordinary Shares
Voting Rights	One vote per ordinary share

2. Stock Exchange Listing

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

3. Distribution of Shareholding

Shareholdings	31 March 2018				31 March 2017			
	Shareholders Number	%	Holding Number	%	Shareholders Number	%	Holding Number	%
1 - 1,000	488	95.87	62,592	0.20	323	93.90	52,077.00	0.16
1,001 - 10,000	17	3.34	30,776	0.10	16	4.65	30,519.00	0.10
10,001 - 100,000	3	0.59	114,170	0.36	4	1.16	124,942.00	0.40
100,001 - 1,000,000	-	-	0	0.00	-	-	-	0.00
Over 1,000,000	1	0.20	31,192,462	99.34	1	0.29	31,192,462	99.34
Total	509	100.00	31,400,000	100.00	344	100.00	31,400,000	100.00

4. Analysis of shareholders

Shareholder Category	31 March 2018				31 March 2017			
	Shareholders Number	%	Holding Number	%	Shareholders Number	%	Holding Number	%
Individuals	491	96.46	146,109.00	0.47	334	97.09	147,850.00	0.47
Institutions	18	3.54	31,253,891	99.53	10	2.91	31,252,150	99.53
Total	509	100.00	31,400,000	100.00	344	100.00	31,400,000	100.00
Resident	503	98.82	31,396,945	99.99	340	98.84	31,397,150	99.99
Non-Resident	6	1.18	3,055.00	0.01	4	1.16	2,850.00	0.01
Total	509	100.00	31,400,000	100.00	344	100.00	31,400,000	100.00

5. Public holding

The public holding as at 31 March	2018	2017
Number of shares held by the public	153,222	153,222
Percentage held by the public %	0.49	0.49
No of public share holders	506	341

6. Share price movements for the period

The market price of a share recorded for the year ended 31 March	2018 Rs.	2017 Rs.
Highest	310.00	133.00
Lowest	91.00	-
Last traded price	200.70	90.40

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 2018	Holding %	No. of Shares as at 31 March 2017	Holding %
01.	Cargills Quality Dairies (Pvt) Ltd	31,192,462	99.34	31,192,462	99.34
02.	Cargills (Ceylon) PLC	54,315	0.17	54,315	0.17
03.	Mrs. I. S. Jayasinghe	37,500	0.12	37,500	0.12
04.	Mr. K. C. Vignarajah	22,355	0.07	22,350	0.07
05.	Dr. G. R. Handy	2,950	0.01	2,950	0.01
06.	Uniwalkers Limited	2,550	0.01	2,550	0.01
07.	Mrs. R. T. Purasinghe	2,100	0.01	3,400	0.01
08.	Mr. S. Muhunthan	2,096	0.01	2,096	0.01
09.	Mr. Z. G. Carimjee	2,000	0.01	-	-
10.	Mrs. P. T. D. Harasgama	2,000	0.01	2,000	0.01
11.	Mrs. S. Z. Nizam	2,000	0.01	2,000	0.01
12.	Mr. P. R. A. Jansz	1,986	0.01	1,986	0.01
13.	Mrs. B. P. Narhari	1,875	0.01	1,875	0.01
14.	Mr. P. R. Gunasekara	1,600	0.01	1,600	0.01
15.	Mr. D. R. Wickramasekara	1,500	0.00	1,500	0.00
16.	Mr. B. Nadarajah	1,500	0.00	1,500	0.00
17.	Dr. G. W. Karunaratne	1,400	0.00	1,400	0.00
18.	Mr. M. R. Fernando	1,331	0.00	-	-
19.	People's Leasing & Finance PLC/ Mr. A. L. Ranaweera	1,308	0.00	-	-
20.	Mr. A. Rajaratnam	1,300	0.00	1,300	0.00

Notice of Annual General Meeting

Notice is hereby given that the fifty first Annual General Meeting of the Company will be held at the Auditorium of the Institute of Chartered Accountants of Sri Lanka, 30 Malalasekara Mawatha (London Place), Colombo 07 on Monday, 27 August 2018, 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 2018, with the Report of the Auditors thereon
2. To re-elect Directors
 - a) J. C. Page, 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:

Ordinary Resolution (i)

"Resolved that Priya Edirisinghe, 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", and

Ordinary Resolution (ii)

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

3. To authorise the Directors to determine contributions to charities for the financial year 2018/19
4. To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG, who are deemed reappointed as Auditors at the Annual General Meeting of the Company in terms of Section 158 of the Companies Act No.07 of 2007

By Order of the Board
Kotmale Holdings PLC

(Signed.)

S. L. W. Dissanayake
Company Secretary

02 August 2018

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 fifty first Annual General Meeting

*I/We
ofbeing 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 fifty first Annual General Meeting of the
Company to be held on Monday, 27 August 2018 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.

Concept & Designed by



Printed by Printel (Pvt) Ltd



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