

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fifty fourth Annual General Meeting of Kotmale Holdings PLC (the Company) will be held at the “ Board Room ” of the Corporate Office at Level 28, West Tower, World Trade Center , Echelon Square , Colombo 01 to be convened through an “online virtual “ platform by using “audio visual” tools on Tuesday, 29 June 2021 at 8.30 a.m. and the business to be brought before the meeting will be:

Read the Notice convening the Meeting

1. To receive, consider and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2021, 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
 - b) A.D.B Talwatte who was appointed on 18 December 2020 also retires in terms of the Company's Articles of Association and being eligible offers himself for re-appointment, and
 - c) A. T. P. Edirisinghe who retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having surpassed seventy years of age and offers himself 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 Resolution:

Ordinary Resolution (i)

“Resolved that Priya Edirisinghe, a retiring Director, who has attained the age of seventy five 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 2021/22.
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

The Annual Report and Financial Statements of the Company for the year ended 31st March 2021 are available on the:

- Corporate Website : <http://www.cargillsceylon.com/investors/annual-report/kotmale>
- The Colombo Stock Exchange – <https://www.cse.lk/home/company-info/LAMB.N0000/financial>

The said Annual Report and Financial Statements of Kotmale Holdings PLC for 2020/21 can also be accessed by scanning the following QR code.



For clarification on how to download and/ or access the Annual Report and Financial Statements, please contact Mr. Lakshan on +94 117496403 during normal office hours (8.30 a.m. to 5.00 p.m.)

By Order of the Board
Kotmale Holdings PLC

(Signed)

H S Ellawala
Company Secretary
4 June 2021

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. A Form of Proxy is enclosed for this purpose.

- ii. The Board of Directors, having taken note of the health and safety guidelines issued by the Health Authorities in view of the COVID-19 pandemic and the Colombo Stock Exchange issuing guidelines to the listed entities to hold Shareholder Meetings virtually, has decided to hold the Annual General Meeting (AGM) through an “online virtual” platform by using “audio -visual” tools in conformity with the applicable regulatory provisions.
- iii. Shareholders who wish to participate in the Annual General Meeting through the online platform are kindly requested to complete and forward the “Annexure II – Registration of Shareholder details” attached hereto with e-signature or scan of the signed document to the email address khp.agm@kotmale.lk with the email subject title “KHPAGM 2021” or post it to the registered address mentioned below to be received not less than 48 hours before the date of the meeting.

Shareholders are requested to provide their email address legibly in the space provided in “Annexure II” in order to forward the weblink if they wish to participate at the meeting through the online platform.
- iv. The Chairman, certain members of the Board and key essential officials for the administration of formalities to conduct the meeting, will be physically present at the Corporate Office.
- v. Voting on the items listed in the Agenda will be registered by using an online platform and the procedure to be followed when voting will be explained to the shareholders prior to the commencement of the meeting.
- vi. Shareholders who wish to appoint a member of the Directors as his/her proxy to represent them at the AGM may do so by completing the Form of Proxy. In such event the email address of the proxy holder will not be required.
- vii. Shareholders may send their questions/comments on the items listed in the Agenda of the Notice convening the AGM by email to khp.agm@kotmale.lk to be received not less than 48 hours before the meeting.
- viii. The duly completed instrument appointing the proxy should be deposited at the Registered Office of the Company or a scanned copy of the same should be emailed to khp.agm@kotmale.lk to be received not less than 48 hours before the date of the meeting.
- ix. Only registered shareholders and registered proxy holders will be permitted to log-in and participate in the AGM virtually.
- x. The Company intends to proceed to hold the AGM as planned on 29 June 2021 irrespective of whether it is declared a public holiday since the aforesaid measures will enable full participation at the meeting.
- xi. In the event the Company is required to take any further action in relation to the Meeting in the best interests of the shareholders in the context of the COVID-19 pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, notice of such action shall be given by way of additional announcement/s made to the Colombo Stock Exchange.

FORM OF PROXY

FIFTY FOURTH ANNUAL GENERAL MEETING
Kotmale Holdings PLC (PQ 213)

*I/We

 bearing NIC No. of
 being a *member/members of Kotmale Holdings PLC
 (the Company) hereby appoint *Mr/Mrs/Miss
 bearing NIC No:
 of
 (email address) 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 fourth Annual General Meeting of the Company to be held at the “Board Room” of Corporate office at Level 28, West tower, World trade center, Echelon Sqaure, Colombo 01 to be convened through an “online virtual” platform by using “audio-visual” tools on Tuesday 29 June 2021 and at any adjournment thereof.

Please mark your preference with “X”

Resolution number	1	2(a)	2(b)	2(c)	3	4
For						
Against						

Signed on this day of 2021

Signature of member (s)

NIC/PP/Co.Reg.No.Shareholder/.....

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 or electronic document with e-signature or scan of the signed document emailed to khp.agm@kotmale.lk, with the subject title “ KHP-AGM 2021” 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, address and email 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.

SUBMISSION OF THE ANNUAL REPORT TO SHAREHOLDERS

KOTMALE HOLDINGS PLC

Co. Reg. No. PQ 213

No. 40, York Street, Colombo 01.

CIRCULAR TO SHAREHOLDERS

Dear Shareholder,

The Annual Report and Financial Statements of Kotmale Holdings PLC for the year ended 31st March 2021 is available on the:

1. Corporate Website – <http://www.cargillsceylon.com/investors/annual-report/kotmale>
2. The Colombo Stock Exchange – <https://www.cse.lk/home/company-info/LAMB.N0000/financial>

The said Annual Report and Financial Statements can also be accessed by scanning the following QR code.



However, if you wish to receive a printed copy of the Annual Report, you are kindly requested to make such request in writing by completing and forwarding the 'Form of Request' appearing below, on or before 15 June 2021. If sent by post, please mark 'Kotmale Holdings PLC Annual Report' on the top left corner of the envelope. The Company will dispatch a printed copy to the shareholder within eight market days of the receipt of such request, subject to any restrictions on postal services.

You may contact the undernoted for any queries /request for printed copies of the Annual Report:

Contact Person : Ms. Venitia Siyambalapatiya
Phone Numbers : 2427500 (hunting)
Facsimile Number : 2338704
e:Mail address : venitia.s@cargillsceylon.com

By Order of the Board
Kotmale Holdings PLC

(Signed)

H. S. Ellawala
Company Secretary

4th June 2021

FORM OF REQUEST

To : Company Secretary
Kotmale Holdings PLC
No. 40, York Street
Colombo 01.

REQUEST FOR A PRINTED COPY OF THE ANNUAL REPORT 2020/21

I hereby request you to send me a printed copy of the Annual Report of Kotmale Holdings PLC for the Financial Year ended 31 March 2021.

Name of Shareholder:
(as registered in the Company or in the CDS)

Shareholder Reference No. Folio/CDS Account No.

Address :
.....

Contact Telephone No/s. :

E-mail address :

Signature: **Date:**

GUIDELINES AND REGISTRATION PROCESS FOR THE ANNUAL GENERAL MEETING (AGM) VIA ONLINE MEETING PLATFORM

Shareholders / Proxy holders who wish to participate in the Annual General Meeting of Kotmale Holdings PLC to be held via an Online Meeting Platform (Virtual AGM), could do so by using a smart phone or a desktop computer.

If a Shareholder/Proxy holder intends to join the Virtual AGM via a smart phone, it is necessary for him/her to download the “**Zoom Mobile App**” onto his /her smart phone.

Similarly if a Shareholder/Proxy holder wishes to attend the Virtual AGM via a desktop computer, the link can be opened by downloading the “**Zoom Desktop App**” to the respective desktop computer (compatible web browser: Google Chrome).

1. Shareholders who wish to participate in the Virtual AGM of Kotmale Holdings PLC either by themselves or through their Proxies are requested to forward their details to the Company Secretary as per the attached **REGISTRATION FORM**.
2. The duly completed and signed **REGISTRATION FORM** should be deposited at the Registered Office of the Company or a scanned copy of the same should be emailed to khp.agm@kotmale.lk to be received not less than 48 hours before the date appointed for the holding of the meeting. If participation in the meeting through a Proxy, the duly completed and signed **FORM OF PROXY** should accompany the **REGISTRATION FORM**.

Note:

If a Proxy is appointed, the information set out in the **REGISTRATION FORM** pertaining to the Proxy holder should tally with the information indicated in the duly completed **FORM OF PROXY** submitted by the Shareholder.

3. The Company will verify all registration requests and identification details received as aforesaid, against the details of Shareholders set out in the Shareholders' Register and accept the registrations for the Virtual AGM if it is satisfied with the request and supporting documents (if any).

Shareholders whose registration requests are accepted will receive an email confirmation from the Company acknowledging the acceptance of their request.

4. The Shareholders whose registration requests have been accepted will receive a further email from the Company 24 hours prior to the commencement of the AGM. This email will provide a web link for online registration referred to as “**Virtual AGM Registration**”. If the Shareholder has appointed a valid Proxy this email will be forwarded to the relevant Proxy holder.
5. (i) The Shareholders / Proxy holders are requested to use the web link, which will be forwarded by the Company as referred to in 4 above and click on the “**Virtual AGM Registration**” in order to complete online registration for the Virtual AGM.
(ii) On clicking the link “**Virtual AGM Registration**”, Shareholders/Proxy holders will be redirected to an interface where they will be requested to enter their **first name, last name, email address, re- enter email address and NIC No. / Passport No. / Co. Reg. No.** (In entering these details the participants are required to ensure that correct details as included in the **REGISTRATION FORM** referred to in 2 above are entered in the said online registration process, since any mismatch will be considered as an unsuccessful log in)
(iii) After successful completion of entering of the details as referred to in 5 (ii) above, the participants are requested to click on “**REGISTER**” which will be prompted on their screens enabling them to receive the meeting link.
6. The Shareholders who successfully complete their online registration as set out in 5 above, will receive the log in link for participation in the meeting referred to as ‘**Click here to Join the Virtual Meeting¹**’ and credentials.
7. In order to join the Virtual AGM, participants are required to click on ‘**Click here to Join the Virtual Meeting**’ In some instances the system call for the credentials and if that is required, please enter the credentials to gain access to the Virtual AGM.

8. On completion of this process, you will be directed to the Virtual AGM Zoom Platform, where you can participate in the Virtual AGM.

It is recommended that the Shareholders / Proxy holders complete the process outlined in 5, 6, 7 and 8 above and join the AGM at least ten (10) minutes before the start of the AGM. The Online Meeting Platform will be active fifteen (15) minutes before the time appointed for the commencement of the meeting.

9. Shareholders/Proxy holders may use the Q & A tab or the Hand Raise (🙋) icon appearing on the screen respectively, to submit their questions or concerns in typed format or verbally. The system will allow a pop up message to unmute the microphones and to allow video options.
10. After completion of the process outlined in 7 above in respect of all eligible Shareholders and Proxy holders, the Company will forward a separate email to the Shareholders / Proxy holders or representatives (as applicable) who are entitled to vote, providing a separate link to vote on all resolutions included in the Notice of Annual General Meeting.
11. Shareholders / Proxy holders who intend participating in the meeting are requested to open the said link and be prepared to cast their vote when each resolution is taken up for voting by the Chairman. Participants are advised to “refresh” the voting page and cast the vote as per their discretion in the given space and click “SUBMIT” enabling the Company to receive the responses.
12. When declaring the voting on a resolution, Chairman will take in to account the voting of the Shareholders/ Proxy holders participating virtually
13. 60 seconds will be allocated for Shareholders/ Proxy holders to cast their vote in respect of each resolution.
14. The results will be processed and announced by the Chairman 15 seconds after the end of the time slot allocated for voting.
15. In a situation where a Poll is demanded and Shareholders are required to vote on the Poll, a mechanism similar to that referred to for voting, will be applicable. This will be moderated by the Chairman of the meeting.

It is advised to check the online AGM access at least 3 hours prior and also ensure that your devices have an audible sound system so that you could participate in the AGM comfortably.

KOTMALE HOLDINGS PLC

FIFTY FOURTH ANNUAL GENERAL MEETING 2021

REGISTRATION OF SHAREHOLDER DETAILS – ONLINE PARTICIPATION AT THE AGM 2021

To : Company Secretary
 Kotmale Holdings PLC
 No. 40, York Street
 Colombo 01.

1. Full Name of the Shareholder :
-
2. Shareholder's Address :
3. Shareholder's NIC No. / Passport No. / Co. Reg. No :
4. Shareholder's CDS Account No.
5. Shareholder's Contact No. (Residence) : 6. Mobile :
7. Shareholder's E-mail address :
8. Name of the Proxy Holder :
9. Proxy holder's NIC No. / Passport No. / Co. Reg. No :
10. Proxy holder's Contact No. (Residence) : 10. Mobile :
11. Proxy holder's E-mail address :
12. Participation of the AGM Via an online platform: YES /NO (strike off irrelevant word)
13. Name of the Joint holder/s (if any) : 1)
- 2)
14. National Identity card number/s of Joint holder/s :
 1)
- 2)

.....
Shareholder's	Date	1st Joint holder's	Date	2nd Joint holder's	Date
Signature		Signature		Signature	

Note:

- 1) Shareholders are requested to provide their email address in the space provided in order to forward the Virtual AGM Zoom link & necessary instruction, if they wish to attend the AGM through the online platform.
- 2) In the case of a Company/Corporation, the Shareholder details form must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- 3) In the case of a Power of Attorney, the Shareholder Details Form signed by the Power of Attorney must be deposited at the Registered Office of the Company for registration.



KOTMALE HOLDINGS PLC
ANNUAL REPORT 2020 | 2021

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Our Vision

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

Our 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	2021	2020	Change
	Rs. 000	Rs. 000	%
Operating Results for the Year			
Net revenue	3,269,820	2,892,690	13.04
Gross profit	734,049	672,233	9.20
Profit from operation	253,896	225,522	12.58
Profit after taxation	190,430	148,558	28.19
Highlights of Financial Position at the Year End			
Non-current assets	1,763,091	1,355,180	30.10
Current assets	960,898	757,867	26.79
Current liabilities	1,201,647	915,829	31.21
Non-current liabilities	113,442	102,759	10.40
Stated capital and reserves	1,408,899	1,094,459	28.73
Total assets	2,723,989	2,113,047	28.91
Per Share Data (Rs.)			
Earnings per share	6.06	4.73	28.19
Net assets per share	44.87	34.86	28.73
Cash Flow			
Net cash generated from / (used in) ;			
Operating activities	25,756	190,768	
Investing activities	(400,311)	(502,173)	
Financing activities	452,731	245,102	

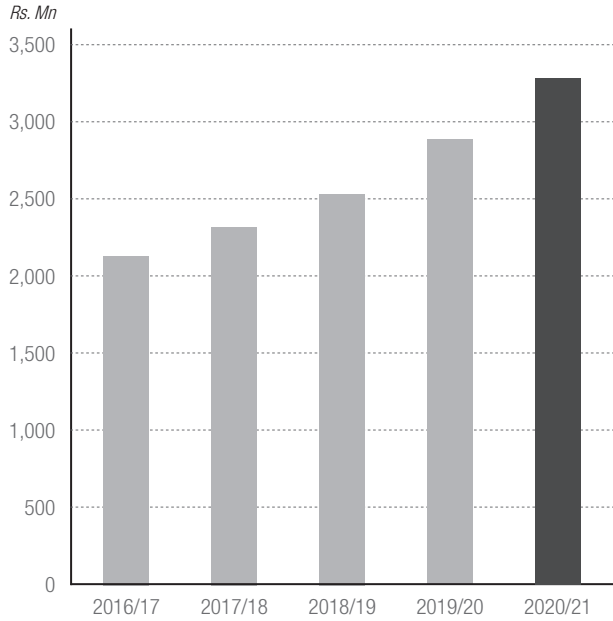
Rs. **3,270**Mn
Net Revenue

Rs. **218**Mn
Profit Before Tax

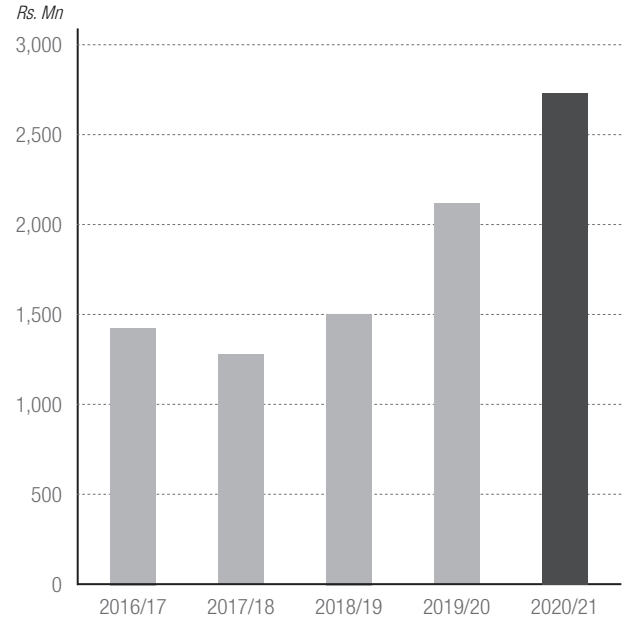
Rs. **190**Mn
Profit After Tax

Rs. **2,724**Mn
Total Assets

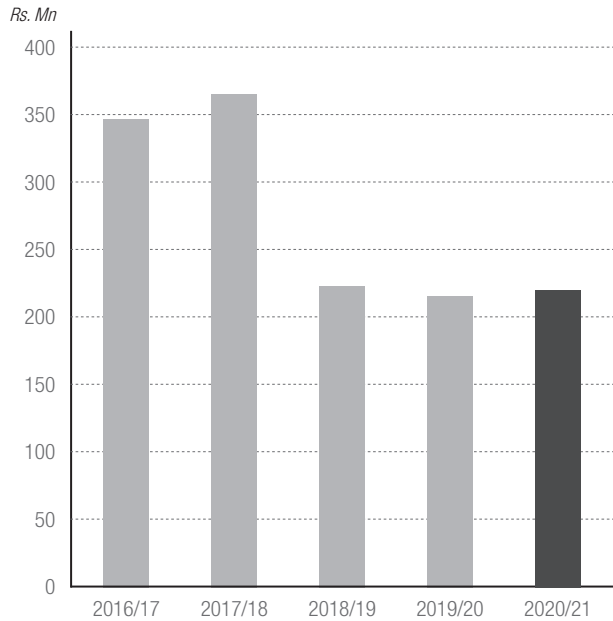
Group Net Revenue



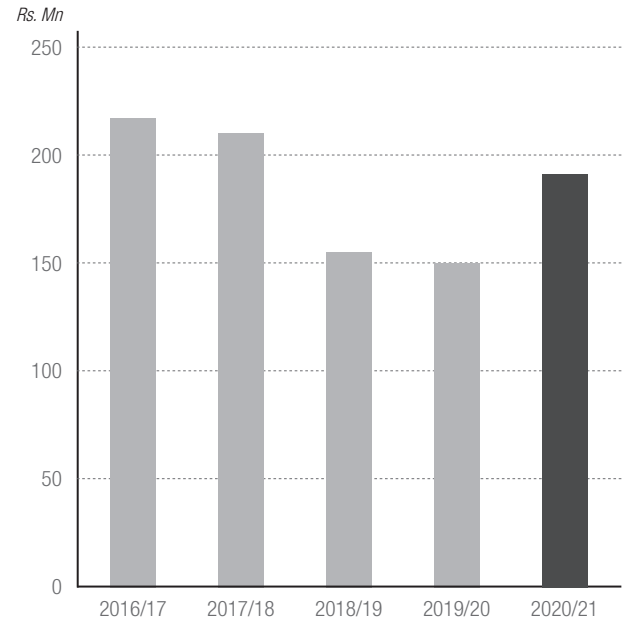
Group Total Assets



Group Profit Before Taxation



Group Profit After Taxation



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 31 March 2021.

The Sri Lankan economy contracted 3.6% in 2020 after two decades of continuous growth as the pandemic caused unprecedented levels of social, health, and economic disruption. The Agricultural sector which accounts for nearly a quarter of the country's workforce contracted 2.4% in 2020, while the Industries sector contracted 6.9% and the Services sector contracted 1.5%.

Despite the unprecedented challenges posed by the pandemic, the Company continued collection of fresh milk without interruption from our farmer network across the country, reaffirming our commitment to the dairy farming community. Our manufacturing facilities overcame multiple challenges and increased production to meet the growing demand as the Company continued to deliver on its promise of providing affordable dairy nutrition to customers. With multiple primary and secondary distribution channels affected by curfew restrictions, we commenced the national distribution of dairy products via door-to-door delivery, leveraging our Special Purpose Delivery (SPD) vans and three wheelers to meet the needs of our customers.

Our capital investments went ahead as planned. We invested in securing the dairy supply chain and in enhancing capacity. The newly established cheese manufacturing facility in Hatton is making strong progress and the Company plans to add further capacity to meet the growing demand in this category. Kotmale launched multiple new products during the year, in line with our business philosophy of bringing value-added dairy products at affordable prices to the local consumer and saving much needed foreign exchange for the country.

National milk collection in 2020 dropped marginally to 415Mn Litres compared to 422Mn in 2019. The decline was mainly attributable to disruptions caused by lockdowns and an outbreak of foot and mouth disease. Development of the local dairy industry is a key pillar of our business as increasing national production will reduce Sri Lanka's dependence on imported milk, which accounts for 60% of the national milk requirement, and will also improve the affordability of milk for local consumers. We continue to invest in dairy development by providing farmers with the necessary technical and financial support to improve productivity and remain committed to the Government's vision of achieving self-sufficiency in dairy production.

Consumer demand for dairy products saw an increase during the year as more consumers shifted towards fresh milk-based products. Though import restrictions caused delays for imported milk products, Sri Lanka's milk product imports increased during 2020. Under these circumstances, the Company's performance is commendable and highlights the growing acceptance of the Kotmale brand and the quality of Kotmale products. The Company is a market leader in multiple categories in the value-added dairy market and has established itself as a leading national dairy brand that provides affordable nutrition while uplifting the local dairy farming community.

During the year under review, the Company reported revenue growth of 13% to Rs. 3,270Mn while gross profit increased by 9.2% to Rs. 734Mn. Gross margins declined to 22.4% from 23.2% in the previous year due to higher farm gate prices. Operating profits increased by 12.6% to Rs. 254Mn amidst better management of operating expenses and finance costs increased by 146% to Rs. 39Mn due to higher CAPEX. Profit for the year recorded a 28.2% growth to Rs. 190Mn.

On behalf of the Board of Directors, I wish to place on record my sincere appreciation of our dairy farming community, customers, suppliers, and shareholders, for their continued support. I would like to express my appreciation for the invaluable contribution made by Mr. Sunil Mendis to the Company, as he will not be seeking re-election at the upcoming Annual General Meeting. I also take this opportunity to warmly welcome Mr. Asite Talwatte, who was appointed to the Board as an Independent Non-Executive Director. Finally, I would like to thank our Kotmale team for their tireless efforts in overcoming the multiple challenges faced during the year and ensure the Company continues to stand by its commitments to our dairy farmers, suppliers, and customers.

(Signed.)

Ranjit Page

Chairman

4 June 2021

Board of Directors

Ranjit Page

Chairman

Mr. V. Ranjit Page possesses over 38 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 is the Deputy Chairman / CEO of the Parent Company, Cargills (Ceylon) PLC, and the Chairman of Cargills Bank Ltd. He also serves on the boards of several other C T Holdings Group companies.

Imtiaz Abdul Wahid

Managing Director

Mr. M. Imtiaz Abdul Wahid 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 the company in an executive capacity at different intervals progressively at higher levels (appointed Director 1997 and Deputy Managing Director in 2001) spanning a period of over 30 years, leaving the services of the company for employment abroad on two occasions in between whereby he also gained valuable exposure holding a number of senior management positions in overseas companies. He was appointed Managing Director/ Deputy CEO of Cargills (Ceylon) PLC in May 2010 and appointed a Director of the holding company C T Holdings PLC in December 2016.

Priya Edirisinghe

Independent Non-Executive Director

Mr. A. T. Priya Edirisinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK), and holds a Diploma in Commercial Arbitration. He was the Senior Partner of Bakertilly Edirisinghe & Co., Chartered Accountants and currently serves as Consultant/Advisor. He is the Managing Director of PE Management Consultants (Pvt) Ltd.

He counts over 50 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 wherein some companies he also serves as Chairman/Member of the Audit Committee, Related Party Transactions Review Committee, and Member of the Remuneration Committee. Mr. Edirisinghe was the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee up to 31 December 2020. He continues as a member of the Company's Audit Committee, Related Party Transactions Review Committee and Remuneration Committee.

Sunil Mendis

Independent Non-Executive Director

Desamanya Sunil Mendis was formerly the Chairman of Hayleys Group, and a former Governor of the Central Bank of Sri Lanka. He possesses over 50 years of wide and varied commercial experience, most of which has been in very senior positions. Mr. Mendis was the Chairman of the Company's Remuneration Committee up to 31 December 2020. He is a member of the Company's Audit Committee, Related Party Transactions Review Committee and continues as a member of the Remuneration Committee, and also serves on the boards of several other Group companies.

Joseph Page

Non-Executive Director

Mr. Joseph C. Page is the Deputy Chairman/ Managing Director of C T Land Development PLC. He is also a Director of C T Holdings PLC, 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 35 years of management experience in the private sector.

A D B Talwatte

Independent Non-Executive Director

Mr. Asite Talwatte was appointed a Director of the company on 18 December 2020, and was appointed the Chairman of the Company's Audit Committee, Related Party Transactions Review Committee, and Remuneration Committee on 01 January 2021.

Mr. A. D. B. Talwatte is a fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants of the U.K. He also holds a Post-Graduate Diploma in Business and Financial Administration awarded by the ICASL and the University of Wageningen, Holland and has an MBA from the University of Sri Jayawardenapura, Sri Lanka. Mr. Talwatte has also participated in a Kellogg Executive Programme at the Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois.

Mr. Talwatte worked at Ernst & Young in Assurance, Business Risk and Advisory Services for 37 years, including 10 years as Country Managing Partner. He has worked with Ernst & Young in Cleveland, Ohio and also served on Ernst & Young's Far-East Area Executive Committee, the Area Advisory Council and the ASEAN Leadership Committee.

Mr. Talwatte was President of the CA Sri Lanka for a two year period in 2002/2003 and the CIMA in 1995/96. He also served as the Chairman of the Statutory Accounting Standards Committee and the Auditing Standards Committee, the Urgent Issues Task Force and the Examinations Committee of the ICASL.

Mr. Talwatte has been closely associated with the development of Corporate Governance in Sri Lanka being actively involved with the Code of Audit Committees in 2002 and the Code of Corporate Governance in 2003. He co-chaired the Committees to structure the revised Codes of Corporate Governance of 2008, 2012 and 2017 and the Listing Rules of 2008. He currently chairs the International Integrated Reporting Council of Sri Lanka (IIRSL) on behalf of CA Sri Lanka.

Mr. Talwatte serves as an Independent Non-Executive Director on boards of several listed companies.

Corporate Governance

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.

1. THE BOARD OF DIRECTORS

1.1 Board Composition

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

The Board consists of a mix of Independent, Executive, Non-Executive Directors to maintain the Board independence.

1.2 Board Independence and Conflict of Interest

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 three 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 Company.

1.3 Appointment of Directors

The Nominations Committee of the ultimate Parent Company (CT Holdings PLC ; 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.

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

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 in office the longest since their appointment or 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.

1.5 Other Board Memberships

The Directors are expected to devote sufficient time in the affairs of the Company, though they are not limited on the number of Board representations which they may have 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.

1.6 Directors' Remuneration Policy

The Remuneration Committee studies and recommends the remuneration and perquisites applicable to the Executive Directors of the Company and makes appropriate recommendations to the Board of Directors of the Company for approval. Executive Directors' Remuneration is reviewed periodically against market comparators. Remuneration of Non-Executive Directors is determined in reference to fees paid by the comparable companies and is adjusted where necessary. The fees received by Non-Executive Directors are determined by the Board and reviewed annually.

1.7 Board Responsibilities

The Board oversees the affairs of the Company and provides leadership and guidance to the Senior Management Team. 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 strategies and business plans as developed by the Management • Directing, monitoring and assessing the Company's performance against strategic and business plans • Approving and monitoring 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 processes are in place to identify the principal risks of the businesses • Reviewing, ratifying and assessing the integrity of the systems of risk management, internal controls and compliance
Management	<ul style="list-style-type: none"> • Appointing and recommending terms of engagement of senior management staff 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
Performance	<ul style="list-style-type: none"> • Evaluate the performance of the Board Committees and individual Directors • Establishing and reviewing succession plans for Board membership • Reviewing the performance of the Senior Management and the compensation framework for Executive Directors and Senior Management • Monitoring corporate performance and evaluating results compared to the strategic and annual plans
Corporate Governance	<ul style="list-style-type: none"> • Establishing appropriate standards and encouraging ethical behaviour and compliance with the Company'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.

1.8 Board Meetings

The Board met five times in the year under review, and the following table shows the attendance record for the same.

Attendance at Board Meetings

Name	Position	Meetings Held	Meetings Attended
Mr. V. R. Page	Chairman	5	5
Mr. M. I. Abdul Wahid	Managing Director	5	5
Mr. A. T. P. Edirisinghe	Non-Executive Director	5	5
Mr. Sunil Mendis	Non-Executive Director	5	2
Mr. J. C. Page	Non-Executive Director	5	2
Mr. A.D.B. Talwate	Non-Executive Director	Appointed on 18 th December 2020	1

2. BOARD COMMITTEES

The Company has the following Board Committees:

- 1) Audit Committee
- 2) Nominations Committee
- 3) Remuneration Committee
- 4) Related Party Transactions 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.

2.1 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 is set out in the Group policies adopted across the Group.

Composition of the Audit Committee

Mr. A.D.B Talwate - Independent
(Member / Chairman)
- w.e.f. 01.01.2021

Mr. A.T.P. Edirisinghe - Independent (Chairman)
- up to 31.12.2020

Mr. Sunil Mendis - Independent

The Audit Committee comprises three members who are Non-Executive Directors who are independent or deemed Independent. The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Chartered Institute of Management Accountants, UK. 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.

Corporate Governance (contd.)

Procedure

In terms of the Company policy, the Audit Committees should meet at least once in every quarter, two of which should be attended by the company auditors. The procedure in place is for the Group Managing Director/Deputy CEO, Group Chief Financial Officer, Group Chief Risk Officer, Chief Operating Officer - Dairy Sector, Head of Finance - Dairy Sector and Head of Internal Audit to attend all meetings when scheduled and for the Chairman/Group CEO to attend Audit Committee meetings as and when requested to do so by the Audit Committee. Besides this, procedure is in place to circulate the various documents and for clarification of matters raised by the members of the Audit Committee. Where necessary, approvals may also be given by circular resolutions.

Meetings

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

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

Name	Meetings Held	Meetings Attended
Mr. A.D.B Talwatte Chairman	Appointed as Chairman - 01/01/21	1
Mr. A.T. Priya Edirisinghe	4	4
Mr. Sunil Mendis	4	3

Scope

The functions of the Audit Committee, as set out in the Company policy, include the following:

- Oversight of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS

- Oversight of the Company's compliance with financial reporting requirements, information requirements of the Companies Act and SEC and other related regulatory bodies
- Oversight of the processes to ensure that the Company's internal controls and risk management procedures are adequate to ensure the various risk exposures are mitigated
- Assessment of the performance and independence of the External Auditors and make recommendations to the Board pertaining to the appointment, re-appointment and removal of External Auditors and approval of the remuneration and terms of engagement
- Review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process
- Develop and implement policy on the engagement of the External Auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external Auditors
- Review the Company's annual audited Financial Statements and quarterly Financial Statements to ensure compliance with the Sri Lanka Accounting Standards and other relevant laws and regulations
- Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations
- 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 Company prior to publication to assure that the published Financial Statements fairly present the state of affairs of the Company. 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 draw attention to 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, highlighting any instances (where applicable) of, and reasons for, non-compliance, along with a Risk Management and Internal Audit Report submitted by the GCRO.

Internal Audit, Controls and Risk Management

The Audit Committee reviewed the Internal Audit Reports containing details of the audit coverage, compliance to the laws, regulations, established policies and procedures. The Risk Management report containing detailed risk assessments and risk mitigation actions pertaining to different business units were reviewed by the Audit Committee to give assurance that the risk management process is carried out in an effective manner.

Conclusion

Based on its work, the Audit Committee is of the opinion that the control procedures and environment within the Company 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 their appointment/re-appointment

The Audit Committee also reviewed the audit fees 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, remain External Auditors of the Company for the financial year ending 31 March 2022.

(Signed)

A.D.B. Talwatte (FCA, FCMA, MBA)

Chairman – Audit Committee

4 June 2021

2.2 Nominations Committee

The Nominations Committee of the ultimate Parent Company (C T HOLDINGS PLC) acts as the Nomination Committee of Kotmale Holdings PLC.

Composition of Nominations Committee

The Nominations Committee of the Parent Company consists of the following members:

Mr. Louis Page	- Non-Executive / Non Independent Group Chairman
Mr. A.T.P Edirisinghe	- Independent
Mr. Sunil Mendis	- Independent
Mr. Ranjit Page	- Chairman

Scope

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

Meetings

The Committee meets once each year or as required.

2.3 Remuneration Committee

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.

Composition of Remuneration Committee

Mr. A.D.B. Talwatte (Chairman) - w.e.f. 01.01.2021

Mr. Sunil Mendis (Chairman) - up to 31.12.2020

Mr. A.T.P. Edirisinghe

The Remuneration Committee of Kotmale Holdings PLC consists of three Non-Executive Directors. Chairman / Group CEO, and the Group Managing Director may also be invited to join in the deliberations as required.

The Committee met once during the year under review.

(Signed)

A.D.B. Talwatte

Chairman – Remuneration Committee

4 June 2021

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 is set out in the Group policies adopted across the Group.

Composition of the RPTRC

Mr. A.D.B Talwatte - Independent
(Member / Chairman)
- w.e.f. 01.01.2021

Mr. A.T.P. Edirisinghe - Independent (Chairman)
up to 31.12.2020

Mr. Sunil Mendis - Independent

The RPTRC comprises three members who are Non-Executive Directors who are independent or deemed independent. The Chairman of the RPTRC is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of Chartered Institute of Management Accountants. 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 include the following:

- Developing a related party transactions policy consistent with that proposed by the RPT Code of the SEC and recommending for adoption by the Board of Directors of the Company
- Reviewing and recommending improvements to the control procedures 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 an 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 RPTRC to obtain and have obtained:

- Quarterly declarations of related party transactions from Directors and Senior Management of all Group companies on recurrent and non-recurrent transactions undertaken by them or by their close family members
- Quarterly declarations of Directors and Senior Management who have 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 Company 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 matters 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 of the Company, Group Chief Financial Officer, Group Chief Risk Officer, Chief Operating Officer-Dairy Sector and Head of Finance-Dairy Sector.

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

Name	Meetings Held	Meetings Attended
Mr. A. D. B. Talwatte, Chairman	Appointed as Member / Chairman - 01/01/21	1
Mr. A.T. Priya Edirisinghe	4	4
Mr. Sunil Mendis	4	3

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

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

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. Further, 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 29 to the Financial Statements.

(Signed)

A.D.B. Talwatte (FCA, FCMA, MBA)

Chairman – Related Party Transactions Review Committee

4 June 2021

3. BUSINESS PRACTICES AND ETHICS

Good governance is embedded in the Company's culture creating an enabling environment for growth in a structured, predictable and sustainable manner.

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's Code of Conduct aims to promote and strengthen the reputation of Kotmale Holdings by establishing a standard of performance, behaviour and professionalism for its people and stakeholders with respect to their professional and personal conduct.

4. STRATEGIC AND PERFORMANCE MANAGEMENT

The Company has a robust strategic management process which involves all key internal stakeholders and led by the Group CEO. The strategic planning process is aimed at the optimal utilisation of resources of the organization and maximum welfare of all relevant stakeholders. The developments in the external and internal environment are continuously and extensively scrutinised to develop effective strategies. Kotmale focuses on deriving the maximum advantage for the organisation through developments in the external environment through prudent as well as rapid responses.

Kotmale operates with a comprehensive performance management system which aims to uphold efficient and effective results as well as improve the knowledge and skills of employees. The budgeting exercise at Kotmale is carried out at an integrated cross-functional level and reviews are carried out on a frequent basis in order to take corrective action as appropriate.

5. CONTROLS, ASSURANCE AND RISK MANAGEMENT

The Company has adequate Systems of Internal Controls in place to ensure the orderly and efficient conduct of its business.

The Internal Auditors independently evaluate the adequacy of internal controls and compliance and concurrently audit the majority of the transactions in value terms. The Group's Internal Audit and Risk Management functions report to board directly through Audit Committee assuring the Independence.

The Company engages the services of independent External Auditors to conduct an audit and obtain reasonable assurance on whether the Financial Statements and relevant disclosures are free from material misstatements. The independent auditors

directly report their findings to the Audit Committee which has the oversight responsibility of financial statement integrity and the reporting process.

The Company has an Enterprise Risk Management framework through which it manages the risks faced by the business. The Risk Committees was established to manage the risks stemming from the external environment, strategy and business operations. Risk Management section and the Notes to the Financial Statements of the Annual Report carry a detailed discussion of the Company's Enterprise Risk Management Process.

The Information Technology Policy of the Group establishes an overall framework for the governance and management of the processes and actions relating to Information Technology within the Group. The framework is made up of processes designed to ensure effective and efficient use of IT in order to enable the Company achieve its objectives.

6. LEGAL AND REGULATORY COMPLIANCE

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

7. DISCLOSURE AND TRANSPARENCY

The Company 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.

8. 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 it identify new business opportunities and improve the Company's relationship with its stakeholders.

The shareholders are given the opportunity at the AGM to get updates from the Chairman and the Board of Directors on the Company'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 from the Company's External Auditors at the meeting. The Company encourages its shareholders to attend its AGM and committed to dealing with shareholder queries in a respectful and timely manner whenever they are received by the Company.

Corporate Governance (contd.)

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

	CSE Rule	Status of Compliance	Details/Reference
7.10.1 Non-Executive Director (NED)			
a./b./c.	At least 2 members or one third of the Board, whichever is higher should be NEDs. Any change to this ratio should be rectified within 90 days.	Compliant	Four out of six Directors are NEDs
7.10.2 Independent Directors			
a.	At least 2 or one third of the NEDs, whichever is higher, shall be independent.	Compliant	Three out of four NEDs are deemed to be independent Refer Note 01 below.
b.	Each NED should annually submit a signed and dated declaration of his/her independence or non-independence.	Compliant	All NEDs have submitted their confirmations on independence as per the criteria laid down in the listing rules
7.10.3 Disclosures Relating to Directors			
a.	The Board shall make a determination annually as to the independence or non-independence of each NED and list the names of the NEDs determined to be 'Independent' in the Annual Report.	Compliant	Profile of Directors on page 05 and Note 01 on page 13.
b.	In the event a Director does not qualify as 'Independent' and the Board 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.	Compliant	
c.	A brief resume of each Director with information on his/her area of expertise should be included in the Annual Report.	Compliant	
d.	Upon appointment to the Board, a brief résumé of the new Director should be provided to the Exchange for dissemination to the public.	Compliant	
7.10.5 Remuneration Committee			
	Composition		
a.1	The Remuneration Committee should comprise of at least 2 independent NEDs or more than 2 NEDs, the majority of whom shall be independent.	Compliant	Remuneration Committee Report on page 09. The aggregate remuneration paid to the Directors is given in the Note 29.1 to the Financial Statements.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors.	Compliant	
	Functions		
b.	Remuneration Committee shall recommend the remuneration of the CEO and Executive Directors to the Board.	Compliant	
	Disclosure in the Annual Report		
c.	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.	Compliant	

	CSE Rule	Status of Compliance	Details/Reference
7.10.6 Audit Committee			
A.	Composition		
a.1	Audit Committee should comprise of at least 2 independent NEDs or more than 2 NEDs, majority of whom shall be independent.	Compliant	Audit Committee Report on page 07 to 09.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors.	Compliant	
a.3	CFO shall attend the AC meetings, and so shall the CEO, when requested to attend.	Compliant	
a.4	The Chairman of the AC or one member should be a member of a recognised professional accounting body.	Compliant	
B	Functions		
b.1	Overseeing the preparation, presentation of the Financial Statements and adequacy of disclosures in accordance with SLFRS/LKAS.	Compliant	
b.2	Overseeing compliance with financial reporting requirements and information requirements as per laws and regulations.	Compliant	
b.3	Overseeing processes to ensure internal controls and risk management functions are adequately meeting the requirements of Sri Lanka Auditing Standards.	Compliant	
b.4	Assessing the independence and performance of the External Auditors.	Compliant	
b.5	Making recommendations to the Board pertaining to appointment or reappointment or removal of External Auditors and to approve their remuneration and terms of engagement.	Compliant	
C	Disclosure in the Annual Report		
C	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.	Compliant	

Note 01

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

Messrs. Mr. A T P Edirisinghe and Mr. Sunil Mendis

- who have served on the Company's Board for a period in excess of nine years and are also 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), and Mr. A. D. B. Talwatte
- who is a Director of C T HOLDINGS PLC and Cargills (Ceylon) PLC

who, in spite of their service on the Company's Board for over nine years and/or being Directors in another Company which has a significant shareholding in the Company, the Board has nevertheless determined to be independent, considering their credentials and integrity

Corporate Governance (contd.)

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	The Board should meet regularly, at least once in every quarter and to execute Board responsibilities while providing information to the Board on a structured and regular basis.	In place	Corporate Governance Report – Section 1.8
A.1.2	The Board is to provide entrepreneurial leadership by undertaking responsibilities to: <ul style="list-style-type: none"> • Ensure the formulation and implementation of sound business strategy • Oversee the skills and succession of Key Management Personnel • Approve budgets and major capital expenditure • Ensure an effective system to secure the integrity of information, internal controls, business continuity and risk management • Ensure compliance with laws, regulations and ethical standards • Ensure all stakeholder interests are considered in corporate decision making • Oversee sustainable business development and consider the need of integrated reporting • Adopt appropriate accounting policies and compliance with financial regulations • Establish a process of monitoring and evaluating progress on strategy implementation, budgets, plans and related risks • Ensuring that a process is established for corporate reporting on an annual and quarterly basis or more as relevant to the Company 	In place	Corporate Governance Report – Section 1.7
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 judgement to bear on issues on 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	One third of Directors can call for a resolution to be presented to the Board where they feel it is in best interest of the Company to do so.	In place	
A.1.8	Every Director should receive appropriate training when first appointed to the Board and subsequently, whenever necessary. The Board should regularly review and agree on the training and development needs of the Directors.	In place	

	Principle	Status	Details/Reference
A.2 Chairman and Chief Executive Officer			
A.2.1	Justification for combining the posts of Chairman and CEO in one person to be stated in Annual Report.	N/A	N/A
A.3 Chairman's Role			
A.3.1	<p>The Chairman should conduct Board proceedings in a proper manner and ensure:</p> <ul style="list-style-type: none"> • The agenda for Board meetings is developed in consultation with the CEO, Directors and the Company Secretary taking into consideration matters relating to strategy, performance, resource allocation, risk management and compliance • Sufficiently detailed information of matters included in the agenda should be provided to Directors in a timely manner • All Directors are made aware of their duties and responsibilities and committee structures through which it will operate in discharging its responsibilities • The effective participation and contribution of the Directors is secured • All Directors are encouraged to seek information considered necessary to discuss matters on the agenda of meetings and to request inclusion of matters of corporate concern on the agenda • A balance of power between Executive and Non-Executive Directors is maintained • The views of Directors on issues under consideration are ascertained • The Board is in complete control of the Company's affairs and alert to its obligations to all stakeholders 	In place	
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 3 members or one third of the Board, whichever is higher, should be NEDs. Any change to this ratio should be rectified within 90 days.	In place	Corporate Governance Report – Section 1.1
A.5.2	Where the constitution of the Board of Directors includes only three NEDs, all three such NEDs should be independent.	N/A	N/A
A.5.3	<p>Definition of Independent Directors:</p> <p>For a Director, to be deemed 'Independent', such a Director should be independent of management and free of any business or other relationship that could materially interfere.</p>	In place	Corporate Governance Report – Section 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 1.2

Corporate Governance (contd.)

	Principle	Status	Details/Reference
A.5.5	The Board should determine the independence or otherwise of the NEDs based on the guidelines provided.	In place	Corporate Governance Report – Section 1.2
A.5.6	If an alternate Director is appointed by an NED, such a Director should not be an Executive of the company. If an alternate Director is appointed by an independent Director, such a Director should also meet the criteria for independence.	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the Independent NEDs to be the “Senior Independent Director” (SID).	N/A	N/A
A.5.8	The SID should make himself/herself available for confidential discussions with other Directors who may have concerns.	N/A	N/A
A.5.9	The Chairman should hold meetings only with NEDs as necessary and at least once a 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 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
A.7.2	The Nominations Committee should annually assess the combined knowledge and experience of the Board.	In Place	Corporate Governance Report – Section 1.3
A.7.3	Upon the appointment of a new Director, a brief résumé, 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 Report – Section 1.3
A.8 Re-Election			
A.8.1	NEDs should be appointed for specified terms subject to re-election/removal and their re-appointment should not be automatic.	In place	Corporate Governance Report – Section 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 1.4
A.8.3	In the event of a Director's resignation prior to completion of his/her appointed term, a written communication to be provided to the Board of his/her reasons for resignation.	N/A	

	Principle	Status	Details/Reference
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 relationships 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 2.3
B.1.2	The Remuneration Committee should consist exclusively of NEDs of whom the majority should be independent. The Chairman should be an Independent Non-Executive Director and should be appointed by the Board.	In place	Corporate Governance Report – Section 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 2.3
B.1.4	The Board as a whole should determine the remuneration of NEDs.	In place	
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other EDs.	In place	
B.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 2.3
B.2.2	Executive Directors' remuneration should be designed to promote the long-term success of the Company.	In place	
B.2.3	The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies.	In place	Corporate Governance Report – Section 2.3
B.2.4	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	
B.2.5	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.2.6	Executive share options should not be offered at a discount.	N/A	

Corporate Governance (contd.)

	Principle	Status	Details/Reference
B.2.7	The Remuneration Committee should follow the given guidelines in designing schemes of performance-related remuneration.	In place	
B.2.8	The Remuneration Committee should appropriately decide on compensation commitments of Directors.	In place	
B.2.10	The Remuneration of NEDs 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 8 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 Notice for AGM and related papers should be sent to the shareholders before the meeting as per the relevant statute.	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	The Company should count all proxy votes with respect to each resolution.	In place	
C.1.4	Chairpersons of Board Committees should be available at the AGM to answer questions.	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	
C.2.6	The Company should decide the person to contact in relation to shareholders' matters.	In place	
C.2.7	The process for responding to shareholder matters should be formulated by the Board and disclosed.	In place	

	Principle	Status	Details/Reference
C.3 Major and Material Transactions			
C.3.1	Directors should disclose to shareholders all proposed material transactions including Related Party Transactions.	In place	
C.3.2	Public listed companies should in addition comply with the disclosure requirements and shareholder approval by special resolution as required by the rules and regulation of the SEC and by the CSE.	In place	
D. Accountability and Audit			
D.1 Financial and Business Reporting			
D.1.1	The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained.	In place	
D.1.2	The Board should present the interim, other price sensitive reports and reports to regulators.	In place	
D.1.3	The Board should, before it approves the Company's Financial Statements, obtain from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the Financial Statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance.	In place	Corporate Governance Report – Section 2.1
D.1.4	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 Directors have complied with best practices of Corporate Governance • Property, plant and equipment is reflected at fair value, where it is different from fair value adequate disclosures are made • The review of internal controls and risk management • The business is a going concern 	In place	Annual Report of the Directors' on the Affairs of the Company on page 27 to 28.
D.1.5	The Annual Report should contain a Statement of Directors' Responsibility.	In place	Statement of Directors' Responsibility on page 29.
D.1.6	The Annual Report should contain a "Management Discussion and Analysis".	In place	Chairman's Review on page 04.
D.1.7	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.1.8	The Board should adequately and accurately disclose the Related Party Transactions in the Annual Report.	In place	Note 29 to the Financial Statements.

Corporate Governance (contd.)

	Principle	Status	Details/Reference
D.2 Risk Management and 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	Corporate Governance Report – Section 5 and Enterprise Risk Management Report on page 22-24.
D.2.2	The Directors should confirm in the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency, or liquidity.	In place	
D.2.3	Companies should have an internal audit function.	In place	Corporate Governance Report – Section 5 and Enterprise Risk Management Report on page 22-24.
D.2.4	The Board should maintain a sound system of internal controls and require the Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls.	In place	Corporate Governance Report – Section 5 and Enterprise Risk Management Report on page 22-24.
D.3 Audit Committee			
D.3.1	The Audit Committee should comprise exclusively of NEDs with a minimum of three NEDs of whom at least two should be independent. If there are more NEDs, the majority should be independent. The Audit Committee should be chaired by an independent NED.	In place	Corporate Governance Report – Section 2.1
D.3.2	The Audit Committee should have a written terms of reference, dealing clearly with its authority and duties.	In place	
D.3.3	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 2.1
D.4 Related Party Transactions Review committee			
D.4.1	A Related Party and Related Party Transactions will be as defined in LKAS 24.	In place	
D.4.2	The Board should establish a RPTRC consisting exclusively of NEDs with a minimum Three NEDs of whom the majority should be independent. The Chairman should be an Independent NED appointed by the Board.	In place	Corporate Governance Report – Section 2.4
D.4.3	RPT Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors.	In place	

	Principle	Status	Details/Reference
D.5 Code of Business Conduct and Ethics			
D.5.1	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.5.2	The Company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations.	In place	
D.6 Corporate Governance Disclosures			
D.6.1	The Directors should include in the Company's Annual Report, a Corporate Governance Report setting out the manner and extent to which the company has complied with the principles and provisions of such code.	In place	
E. Institutional Investors			
E.1 Shareholder Voting			
E.1.1	A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the views of shareholders are communicated to the Board as a whole.	In place	Corporate Governance Report – Section 8
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	
G. Internet of Things and Cybersecurity			
G.1	The Board should have a process to identify how in the organisation's business model, IT devices within and outside the organisation, can connect to the organisation's network to send and receive information and the consequent cybersecurity risks that may affect the business.	In place	
G.3	The Board should allocate regular and adequate time on the Board meeting agenda for discussions about cyber- risk management.	In place	
G.4	The Board should ensure the effectiveness of the cybersecurity risk management through independent periodic review and assurance.	In place	
H. Environment, Society and Government (ESG)			
H.1 to H.1.5	Adherence to ESG principles are disclosed in the Annual Report.	In place	

Enterprise Risk Management

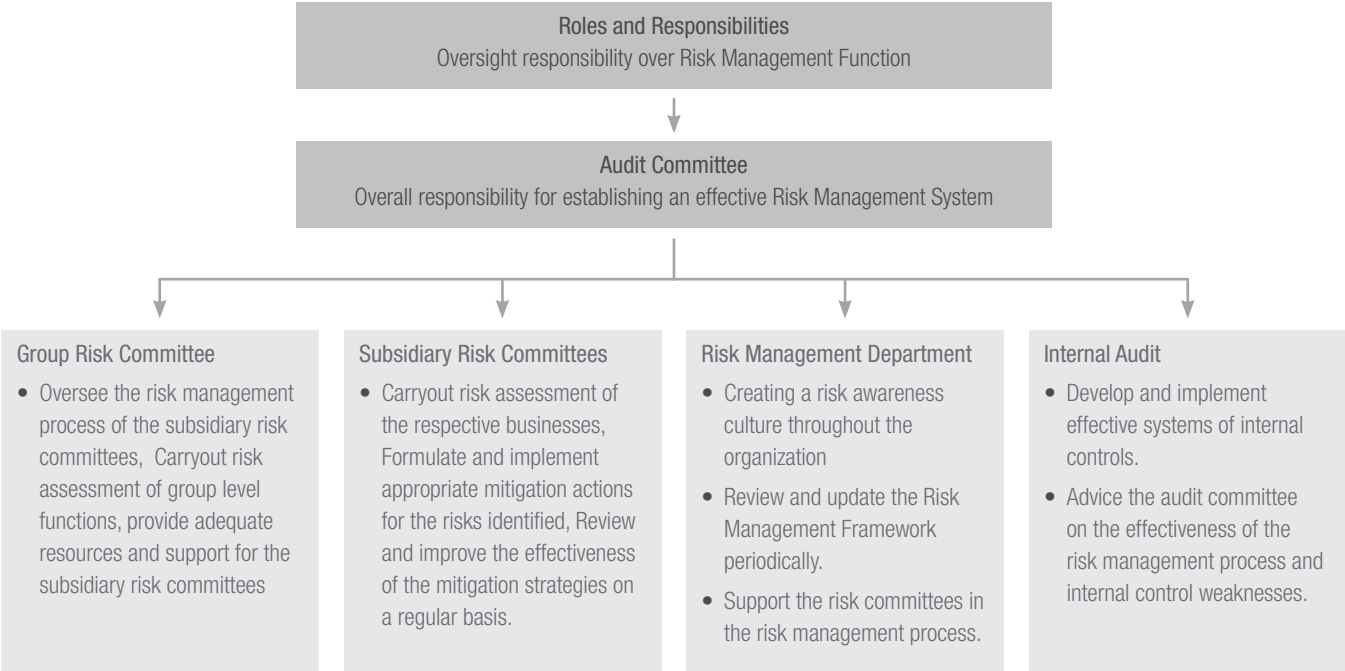
Enterprise Risk Management

Enterprise Risk Management (ERM) is an integral part of the Cargills Group’s strategic management process. Kotmale, one of the key subsidiaries of the Group believes a robust ERM process is vital in the current volatile and complex business environment where the businesses are exposed to numerous risks.

The Board of Directors, Audit Committee and the Risk Committee play a pivotal role in managing the risk in an effective manner.

Kotmale has an integrated risk management framework, through which it manages enterprise-wide risks, with the objective of maximising risk adjusted returns while remaining within risk appetite.

Risk Management Framework of the Group



Overview of Key Risks Affecting the Business

Risk Area	Potential Impact	Mitigation Action
Macroeconomic Environment	Decline in GDP growth and increase in interest rate, exchange rate, inflation and taxes may impact business performance adversely.	Changes in the macroeconomic factors are closely and frequently monitored and appropriate action is taken accordingly.
Pandemic	The pandemic result in business interruptions, and concerns pertaining to health, safety and food security. It may also necessitate changes to the business models.	<ul style="list-style-type: none"> Contingency plans are in place to mitigate pandemic risks and to ensure business continuity Health and safety guidelines are strictly followed to ensure our employees' health and safety, and ascertain food security The business model of Kotmale has been revisited and appropriate actions are taken to accommodate changes in the environment
Supply of Fresh Milk	Short supply of fresh milk can significantly impact the business.	We have continued to expand our dairy farmer network and milk collection centers. We offer farmers an attractive price for milk and engage with them by providing technical input. We strive to uphold their livelihoods through our Parent Company's initiative, 'Cargills Sarubima'.
Competition	Intensified competition from existing players and new entrants may adversely impact business performance.	We continuously assess our business environment and incorporate changes into our business model to maintain agility in order to be competitive in the market and to enhance the customer experience.
Credit Management	Non-payment or delays in payment by distributors and customers may adversely impact our liquidity and financial cost.	<ul style="list-style-type: none"> Credit exposure is minimised through bank guarantees A robust credit control process is in place to avoid Bad debt and delays in recovery
Staff Turnover	High staff turnover could adversely impact the performance of the Company.	<ul style="list-style-type: none"> HR planning, recruitment, training and development, welfare and recognition programs are effectively carried out Employee compensation plans are reviewed regularly to ensure they are on par with market rates
Product Quality and Food Safety	Offering products which do not meet quality and food safety standards would adversely impact customer confidence and sales.	<ul style="list-style-type: none"> Robust quality assurance practices and certification processes are in place throughout the value chain to ensure food safety and quality Regular inspection and quality audits are carried out by independent teams to ensure adherence to standards

Enterprise Risk Management (contd.)

Risk Area	Potential Impact	Mitigation Action
Supply Chain	Interruption to supply of goods and materials will lead to out of stock and impact business performance adversely.	Supply chain risk is managed through a centralised procurement function, wider supplier base and effective vendor management.
Health and Safety	Sickness, injury and the death of employees resulting from an unhealthy and/or unsafe working environment will lead to a loss of reputation, litigation and fines.	<ul style="list-style-type: none"> Stringent health and safety measures are in place at all our factories and warehouses Regular health and safety reviews are conducted to ensure a hazard-free environment for employees and other stakeholders
Cybersecurity	A cyberattack can cause substantial impairment to the business by means of economic cost, reputational damage and legal consequences.	<ul style="list-style-type: none"> Appropriate investments are made in IT systems and infrastructure to enhance all aspects of security. Periodic reviews of information security controls are carried out by both internal and external resources Regular training and awareness programs on information security are conducted for our employees
Funding and Liquidity	<p>Inability to source adequate funds for ongoing business operations and capital investments may prevent the businesses achieving their objectives.</p> <p>Insufficient liquidity may impact the Company's ability to repay its debts and interest.</p>	<ul style="list-style-type: none"> Banking facilities with all major banks and financial institutions are established A robust treasury management is in place to manage funds effectively
Regulatory Environment	Failure to comply with laws and regulations could lead to legal prosecution and fines or imprisonment. In addition, a breach could lead to reputational damage.	The changes in the regulations and their impact on Kotmale are assessed regularly and appropriate actions are taken to mitigate any risk arising from regulatory changes.
Hazards	Hazards such as natural disasters, civil unrest or terror attacks could adversely affect our business operations.	Contingency plans are in place to mitigate hazard risks and to ensure business continuity. Adequate insurance covers have been obtained against all identified risks.
Sustainability	Inability to address negative impacts to the environment and society can affect the long-term survival of the organisation.	Continuous efforts are in place to minimise plastic usage, use of non-renewable energy, harmful waste disposal and excessive water consumption. We support our farming community through sustainable farming practices.

Financial Reports

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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 2021, which were approved by the Board of Directors on 4 June 2021.

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 2021 are given on pages 34 to 76 forming an integral part of the Annual Report of the Board.

AUDITORS' REPORT

The Independent Auditor's Report is set out on pages 30 to 33.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 38 to 48. There were no significant changes to the accounting policies of the Group during the year.

DIVIDENDS

The Company has not paid / declared dividends for the year ended 31 March 2021 (2020 - Nil).

RESERVES

The total reserves of the Group stand at Rs. 1,095 Mn (2020 - Rs. 780 Mn), while the total reserves of the Company stand at Rs. 34 Mn. (2020 - Rs. 38 Mn).

STATED CAPITAL

Stated Capital of the Company as at 31 March 2021 was Rs. 314 Mn (2020 - Rs. 314 Mn).

The details of the stated capital are given in Note 20 to the financial statements on page 62.

CAPITAL EXPENDITURE

The Group's capital outlay on property, plant and equipment amounted to Rs. 391 Mn (2020 - Rs. 610 Mn) while no capital expenditure was incurred by the Company during the year (2020 - Nil). Details are given in Note 12 to the financial statements on page 53.

The movement of property, plant and equipment during the year is given in Note 12 to the financial statements on page 53.

MARKET VALUE OF PROPERTIES

The Group land and buildings were revalued as at 31 March 2021. Details are given in Note 12 to the financial statements on pages 54 to 55.

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 542 registered shareholders as at 31 March 2021 (2020 - 556).

An analysis of shareholdings according to the size of holding and the names of the shareholders is given on pages 78 to 79.

DIRECTORATE

The Directors listed on the inner back cover have been directors of the company throughout the year under review, other than the Director against whose name date of appointment has been indicated.

Mr. A.D.B. Talwatte who was appointed on 18 December 2020 retires in terms of the Company's Articles of Association and being eligible offers himself for re-appointment at the annual general meeting.

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

Mr. A. T. P. Edirisinghe, having surpassed seventy years of age, is due to retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 at the conclusion of the annual general meeting, and offers himself for re-election in terms of Section 211 (1) and (2) of the Companies Act No. 07 of 2007.

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

Mr. Sunil Mendis who has been a Director since 05 January 2011 retires from the directorate in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 at the conclusion of the annual general meeting having surpassed seventy years of age. He does not seek re-election.

DIRECTORS' REMUNERATION

The remuneration of the Directors is given in Note 8.1 on page 50 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors' interests in contracts and proposed contracts with the Company are included in Note 29.2 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.

Annual Report of the Directors' on the Affairs of the Company (contd.)

STATEMENT OF COMPLIANCE WITH RELATED PARTY TRANSACTIONS RULES

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

INTEREST REGISTER

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

DIRECTOR'S SHAREHOLDING

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

Number of shares as at 31 March	2021	2020
Mr. V R Page	Nil	Nil
Mr. M I Abdul Wahid	Nil	Nil
Mr. A T P Edirisinghe	Nil	Nil
Mr Asite Talwatte	Nil	Nil
Mr. Sunil Mendis	Nil	Nil
Mr. J C Page	Nil	Nil

DONATIONS

During the year no donations (2020 - Rs. Nil) had been made by the Company.

EMPLOYMENT

The number of persons employed by the Company and Group as at 31 March 2021 was Nil (2020 – Nil) and 175 (2020 – 180), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

EMPLOYEE SHARE OPTION SCHEME (ESOS)

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at 31 March 2021, are disclosed in Note 21.3 to the financial statements on page 63.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

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 08 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 Group are given in Note 28 to the financial statements on page 68.

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.)

Ranjit Page
Chairman

(Signed.)

Imtiaz Abdul Wahid
Managing Director

(Signed.)

H S Ellawala
Company Secretary

4 June 2021

Statement of Directors' Responsibility

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 Flows 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 30 to 33.

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

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

H S Ellawala

Company Secretary

4 June 2021

Independent Auditor's Report



KPMG
(Chartered Accountants)
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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, 2021, 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 34 to 76 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, 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and 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 global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

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

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. P. M. K. Sumanasekara FCA, W. A. A. Weerasekara CFA, ACMA, MRICS



Risk Description	Our Response
<p>Revenue Recognition – Group</p> <p>As described in Note 3.15 (accounting policies) and Note 4 (Revenue), the Group has recognised revenue in the amount of Rs. 3,269,820,117 for the year ended 31 March 2021.</p> <p>The Group's revenue comprise of revenue from Kotmale Dairy Products (Private) Limited from its manufacture and distribution of dairy products.</p> <p>Under Auditing Standards we are required to consider that the fraud risk from revenue recognition is a significant risk. We identified revenue recognition as a key audit matter because of its significance to the consolidated financial statements.</p> <p>We focused on whether transactions have been recorded in the period in which the Group becomes entitled to record revenue in accordance with SLFRS 15.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key controls over the revenue recognition and measurement. • Evaluating the integrity of the general IT control environment and testing the operating effectiveness of key IT application controls over revenue. • Comparing revenue transactions recorded during the current year, on a sample basis, with invoices with customer acknowledgement and credit notes, to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies. • Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying invoices with customer acknowledgement to assess whether the related revenue had been recognised in the correct financial period.
<p>Revaluation of Freehold Land and Buildings – Group</p> <p>As described in Note 12 the Group has recognised Freehold Land and Buildings at revalued amounts of Rs. 918,889,400 resulting in a revaluation surplus net of tax amounting to Rs. 127,340,910 during the year.</p> <p>Management's assessment of fair value of Freehold Land and Buildings was based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.</p> <p>Revaluation of Freehold Land and Buildings is considered a Key Audit Matter due to the subjective nature of property valuations using level 3 assumptions which depend on the nature of property, its location, value per square foot, market price per perch and comparable market transactions. A change in the key assumptions will have a significant impact to the valuation.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the objectivity, independence, competence and qualifications of the external valuer. • 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 revaluation of Freehold Land and Buildings.

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.

Independent Auditor's Report (contd.)



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 1798.

(Signed.)

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

04 June 2021

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Revenue	4	3,269,820,117	2,892,690,447	-	-
Cost of sales	5	(2,535,770,843)	(2,220,457,343)	-	-
Gross profit		734,049,274	672,233,104	-	-
Other income	6	2,801,272	3,434,897	-	-
Distribution expenses		(301,926,625)	(287,141,229)	-	-
Administrative expenses		(181,028,102)	(163,005,213)	(4,227,074)	(4,585,504)
Results from operating activities		253,895,819	225,521,559	(4,227,074)	(4,585,504)
Finance income	7.1	2,467,763	3,681,162	-	137,885
Finance cost	7.2	(38,694,565)	(15,727,177)	(58,654)	(249,013)
Profit / (loss) before taxation	8	217,669,017	213,475,544	(4,285,728)	(4,696,632)
Income tax expense	9	(27,238,853)	(64,917,087)	-	(38,608)
Profit / (loss) for the year		190,430,164	148,558,457	(4,285,728)	(4,735,240)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation surplus of land and building	12	142,367,758	-	-	-
Actuarial losses on employee benefits	23.2	(4,431,360)	(157,019)	-	-
Tax on other comprehensive income	22.1	(14,229,203)	43,965	-	-
Other comprehensive income for the year, net of tax		123,707,195	(113,054)	-	-
Total comprehensive income for the year		314,137,359	148,445,403	(4,285,728)	(4,735,240)
Earnings per share - basic / diluted (Rs.)	10	6.06	4.73	(0.14)	(0.15)

Figures in brackets indicate deductions.

The accounting policies and notes from pages 38 to 76 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March	Notes	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,696,474,846	1,284,132,917	-	-
Right of use assets	13.1.1	10,752,530	15,183,646	-	-
Intangible assets	14	55,863,274	55,863,274	-	-
Investments in subsidiaries	15	-	-	185,400,000	185,400,000
Total non-current assets		1,763,090,650	1,355,179,837	185,400,000	185,400,000
Current assets					
Inventories	16	382,386,118	258,310,283	-	-
Trade and other receivables	17	413,102,095	398,060,554	736,727	698,121
Amounts due from related companies	18.1	77,430,385	59,950,247	164,785,232	169,706,724
Short term investments	19.3	32,036,565	18,929,896	-	-
Cash and cash equivalents	19.1	55,942,862	22,616,168	2,515,934	2,617,115
Total current assets		960,898,025	757,867,148	168,037,893	173,021,960
Total assets		2,723,988,675	2,113,046,985	353,437,893	358,421,960
EQUITY					
Stated capital	20	314,000,000	314,000,000	314,000,000	314,000,000
Reserves	21	326,938,519	199,294,609	3,054,017	3,054,017
Retained earnings		767,960,956	581,164,507	30,947,917	35,233,645
Total equity		1,408,899,475	1,094,459,116	348,001,934	352,287,662
LIABILITIES					
Non-current liabilities					
Deferred tax liability	22	56,054,524	52,298,685	-	-
Employee benefits	23	48,837,417	37,846,183	-	-
Lease liability	13.1.2	8,550,533	12,613,945	-	-
Total non-current liabilities		113,442,474	102,758,813	-	-
Current liabilities					
Trade and other payables	24	249,196,424	243,617,402	4,741,135	4,474,180
Amounts due to related companies	18.2	14,349,743	150,334,058	694,824	1,660,118
Current tax liabilities		146,708,704	142,431,477	-	-
Lease liability	13.1.2	4,063,412	3,768,881	-	-
Borrowings	25	705,000,000	248,500,000	-	-
Bank overdrafts	19.2	82,328,443	127,177,238	-	-
Total current liabilities		1,201,646,726	915,829,056	5,435,959	6,134,298
Total liabilities		1,315,089,200	1,018,587,869	5,435,959	6,134,298
Total equity and liabilities		2,723,988,675	2,113,046,985	353,437,893	358,421,960

The accounting policies and notes from pages 38 to 76 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.)
Ranjit Page
Chairman

(Signed.)
Imtiaz Abdul Wahid
Managing Director

4 June 2021
Colombo

Statement of Changes in Equity

Group	Stated capital Rs.	Capital reserves Rs.	Revaluation reserve Rs.	General reserve Rs.	Employee share option reserve Rs.	Retained earnings Rs.	Total Equity Rs.
Balance as at 1 April 2019	314,000,000	1,784,545	193,281,801	1,269,472	2,454,791	432,885,499	945,676,108
Adjustment on initial application of SLFRS 16, net of tax	-	-	-	-	-	(166,395)	(166,395)
Adjusted balance as at 1 April 2019	314,000,000	1,784,545	193,281,801	1,269,472	2,454,791	432,719,104	945,509,713
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	148,558,457	148,558,457
Other comprehensive income, net of tax	-	-	-	-	-	(113,054)	(113,054)
	-	-	-	-	-	148,445,403	148,445,403
Transactions with owners, recognised directly in equity							
Equity-settled share based transactions	-	-	-	-	504,000	-	504,000
Balance as at 31 March 2020	314,000,000	1,784,545	193,281,801	1,269,472	2,958,791	581,164,507	1,094,459,116
Balance as at 1 April 2020	314,000,000	1,784,545	193,281,801	1,269,472	2,958,791	581,164,507	1,094,459,116
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	190,430,164	190,430,164
Other comprehensive income, net of tax	-	-	127,340,910	-	-	(3,633,715)	123,707,195
	-	-	127,340,910	-	-	186,796,449	314,137,359
Transactions with owners, recognised directly in equity							
Equity-settled share based transactions	-	-	-	-	303,000	-	303,000
Balance as at 31 March 2021	314,000,000	1,784,545	320,622,711	1,269,472	3,261,791	767,960,956	1,408,899,475

Company	Stated capital Rs.	Capital reserves Rs.	General reserve Rs.	Retained earnings Rs.	Total Equity Rs.	
Balance as at 1 April 2019		314,000,000	1,784,545	1,269,472	39,968,885	357,022,902
Total comprehensive income for the year						
Loss for the year		-	-	-	(4,735,240)	(4,735,240)
Other comprehensive income, net of tax		-	-	-	-	-
		-	-	-	(4,735,240)	(4,735,240)
Balance as at 31 March 2020		314,000,000	1,784,545	1,269,472	35,233,645	352,287,662
Balance as at 1 April 2020		314,000,000	1,784,545	1,269,472	35,233,645	352,287,662
Total comprehensive income for the year						
Loss for the year		-	-	-	(4,285,728)	(4,285,728)
Other comprehensive income, net of tax		-	-	-	-	-
		-	-	-	(4,285,728)	(4,285,728)
Balance as at 31 March 2021		314,000,000	1,784,545	1,269,472	30,947,917	348,001,934

The accounting policies and notes from pages 38 to 76 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash flows from operating activities					
Profit / (loss) before taxation		217,669,017	213,475,544	(4,285,728)	(4,696,632)
Adjustments for:					
Depreciation of property, plant and equipment	12	121,198,348	57,879,630	-	-
Employee benefits	23	7,710,689	6,643,194	-	-
Net finance cost	7.2	36,226,802	12,046,015	58,654	111,128
Write back of creditors no longer payable	6	-	(2,449,342)	-	-
Depreciation of right of use assets	8	4,431,116	4,431,116	-	-
Gain on disposal of property, plant and equipment	6	(1,500,000)	-	-	-
Equity-settled share base payment transactions	21.3	303,000	504,000	-	-
(Reversal of) / provision for inventories	8	(1,748,558)	430,001	-	-
Provision for impairment of trade and other receivables	8	251,785	3,531,480	-	-
Operating profit before working capital changes		384,542,199	296,491,638	(4,227,074)	(4,585,504)
Changes in working capital					
Increase in inventories		(122,327,277)	(93,498,341)	-	-
(Increase) / decrease in trade and other receivables		(15,293,326)	(60,441,353)	(38,606)	1,400,199
(Increase) / decrease in amounts due from related companies		(17,480,138)	(20,209,088)	4,921,492	(38,389,864)
Increase in trade and other payables		5,579,022	46,720,468	266,955	318,709
(Decrease) / increase in amounts due to related companies		(135,984,315)	119,568,625	(965,294)	(12,159,217)
Cash generated from / (used in) operations		99,036,165	288,631,949	(42,527)	(53,415,677)
Finance cost paid	7.2	(38,694,565)	(15,727,177)	(58,654)	(249,013)
Gratuity paid	23	(1,150,815)	(1,466,190)	-	-
Income tax paid		(33,434,990)	(80,670,952)	-	(977,134)
Net cash generated from / (used in) operating activities		25,755,795	190,767,630	(101,181)	(54,641,824)
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(391,172,519)	(610,153,710)	-	-
Proceeds from sale of property, plant and equipment	6	1,500,000	-	-	-
Net proceeds from short term investments		(13,106,669)	104,299,496	-	-
Interest income received	7.1	2,467,763	3,681,162	-	137,885
Net cash (used in) / generated from investing activities		(400,311,425)	(502,173,052)	-	137,885
Cash flows from financing activities					
Repayment of lease liability		(3,768,881)	(3,398,331)	-	-
Net proceeds from short term borrowings		456,500,000	248,500,000	-	-
Net cash generated from / financing activities		452,731,119	245,101,669	-	-
Net increase / (decrease) in cash and cash equivalents		78,175,489	(66,303,753)	(101,181)	(54,503,939)
Movement in cash and cash equivalents					
At the beginning of the year		(104,561,070)	(38,257,317)	2,617,115	57,121,054
Movement during the year		78,175,489	(66,303,753)	(101,181)	(54,503,939)
At the end of the year	19.2	(26,385,581)	(104,561,070)	2,515,934	2,617,115

The accounting policies and notes from pages 38 to 76 form an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

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 Limited Liability Company listed in the Colombo Stock Exchange in 1969. The registered office of the Company is located at No. 40, York Street, Colombo 01.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Group for the year ended 31 March 2021 comprise Kotmale Holdings PLC (Parent Company) and its subsidiaries (together referred to as the 'Group').

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is Cargills Quality Dairies (Pvt) Ltd., and the Company's ultimate parent entity is C T HOLDINGS PLC which is a Quoted Public Limited Company domiciled in Sri Lanka and listed in the Colombo Stock Exchange.

1.4 Principal Activities and Nature of Operations

The principal activities of the Group are:

- 1) Manufacture and distribution of dairy products under the brand name of 'KOTMALE'
- 2) Investment holding

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements as at 31 March 2021 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:

- The Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and Company for the year under review;
- The Statement of Financial Position providing the information on the financial position of the Group and Company as at the year-end;
- The Statement of Changes in Equity depicting all changes in shareholder's equity of the Group and Company during the year under review;
- The Statement of Cash Flows providing the information to the users, on the ability to generate cash and cash equivalents of the Group and Company during the year under review; 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.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for preparation and presentation of these Financial Statements as per the provision of the Companies Act No. 07 of 2007 and SLFRS and LKAS.

The Board of Directors acknowledges their responsibility for Financial Statements as set out in the Annual Report of the Board of Director's, Statement of Directors' Responsibility, and the certification on Statement of Financial Position.

2.3 Approval of Financial Statements by the Board of Directors

The Financial Statements for the year ended 31 March 2021 (including comparatives) were approved and authorized by the Board of Directors for issue on 4 June 2021.

2.4 Basis of Measurement

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

Category	Item	Basis of Measurement	Note No.
Assets	Land and Building	Revaluation	12
Liabilities	Employee Benefit Liability	Present value of the defined benefit obligation	23
	Employee share option reserve	Fair value	21.3

2.5 Presentation of Financial Statements

The assets and liabilities of 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 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 realise the assets and settle the liability simultaneously. Income and

expenses are not offset in the 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.

2.6 Functional and Presentation Currency

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

All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 on 'Presentation of Financial Statements'.

2.7 Materiality and Aggregation

Each material class of similar items is presented in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative' which was effective from 1st January 2016.

2.8 Comparative Information

Comparative information has been reclassified to conform to the current year's presentation, where necessary.

2.9 Key Accounting Judgements and Estimates

In preparing these Financial Statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

2.9.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following notes:

- Note 3.15 - Revenue Recognition: whether revenue from made-to-order products is recognised over time or at a point in time;
- Note 3.12 - Lease Term: whether the Group is reasonably certain to exercise extension options; and
- Note 3.20.2 - Deferred Tax Liabilities: Determination of whether lands should be considered as a capital asset or an investment asset.

2.9.2 Assumption

Information about assumptions and estimation uncertainties at 31 March 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 23 - Measurement of defined benefit obligations: key actuarial assumptions;
- Note 12.1 - Determination of fair value of freehold land and buildings: key valuation assumptions;
- Note 14 - Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts; and
- Note 3.14 - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

2.9.3 Fair Value Measurement

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included in 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 for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following Notes;

- Note 12 - Revaluation of freehold land and buildings

2.10 Going Concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. The management has also assessed the existing and anticipated effects of COVID-19 on the Group and the appropriateness of the use of the going concern basis. 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. The impact from COVID-19 pandemic has been disclosed in Note 33.

Notes to the Financial Statements (contd.)

2.11 Changes in Significant Accounting Policies

A number of new standards were effective from 1 April 2020 but they do not have a material effect on the Group's Financial Statements. The Group has consistently applied the accounting policies to all periods presented in these Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Consolidation

The Financial Statements comprise of Financial Statements of the Company and its subsidiaries for the year ended 31 March 2021. Financial Statements of the Company's subsidiaries are prepared for the same reporting year using consistent accounting policies.

3.1.1 Business Combination and Goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised 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, from the acquisition date is, 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.

3.1.2 Subsidiaries

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

3.1.3 Non-controlling Interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either: at fair value; or at proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Acquisition of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore, no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

3.1.4 Loss of Control

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

3.1.5 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. 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.

3.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the functional currency of the Group which is Sri Lankan Rupees (Rs.) at the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate 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 spot exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies are translated into functional currency at spot exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into functional currency at the spot exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the spot exchange rate at the date of transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance cost.

3.3 Financial Instruments

3.3.1 Recognition and Initial Measurement

Trade receivable and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group become a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.3.2 Classification and Subsequent Measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets classified under amortised cost includes trade and other receivable,

amounts due from related companies, short term investments and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and it not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets - Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a

Notes to the Financial Statements (contd.)

particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial Assets - Assessment whether Contractual Cash Flows are Solely Payments of Principal and Interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value for money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs. (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows

are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual cash flows such that it would not meet this condition. In marking this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial Assets - Subsequent Measurement and Gains and Losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial Liabilities - Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities measured at amortised cost include borrowings, trade and other payables, lease liability, bank overdrafts and amounts due to related companies.

3.3.3 Derecognition

Financial Asset

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

The Group enters into transactions whereby it transfers assets recognised in its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.3.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.3.5 Impairment of Financial Assets

For trade receivables, the Group applies a simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

3.4 Impairment of Non-financial Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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.

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (contd.)

3.5 Property, plant and equipment

3.5.1 Recognition and measurement

Property, Plant and Equipment is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

An item of Property, Plant and Equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to or replace a part of it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring at the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as a part of computer equipment.

When major components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items 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.

Cost Model

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Revaluation Model

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 revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve in the Statement of Changes in Equity, any excess and all other decreases are charged to the Statement of Profit or Loss. Revaluation of property, plant and equipment are undertaken by professionally qualified independent valuers every three years. The Group revalued all its freehold land and buildings as at 31 March 2021.

3.5.2 Subsequent Costs

The cost of replacing a component 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 component will flow to the Group and its cost can be measured reliably. The cost of day to day servicing of Property, Plant and Equipment are charged to the Profit or Loss as incurred.

3.5.3 Repairs and Maintenance

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Group and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

3.5.4 Derecognition

Property, plant and equipment are de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other income' in the Statement of Profit or Loss in the year the asset is de-recognised.

3.5.5 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, 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. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

3.5.6 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.

3.6 Short Term Investment

Short term investments consist of investment in fixed deposits with a maturity period of less than 90 days.

3.7 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at bank and fixed deposits with maturities of three months or less from the acquisition date 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.

3.8 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 following are the type of inventories and their costing method;

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

The Group makes provision for inventory during its monthly and year end counts by identifying perishable, damaged and slow moving inventory with short shelf lives or expiration dates or by identifying specific seasonal inventories that require provisions.

3.9 Employee Benefits

3.9.1 Defined Contribution Plans - Cargills 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 Cargills Employees' Provident Fund and Employees' Trust Fund covering all employees are recognised as an expense in Profit or Loss, as incurred.

3.9.2 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.

3.9.3 Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of defined benefit obligation as at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS 19 - "Employees Benefits".

The assumptions based on which the results of the valuation were determined are included in the Note 23 to the Financial Statements.

The liability is not externally funded.

The Group recognises all actuarial gains and losses arising from defined benefit plan in Other Comprehensive Income and expenses related to defined benefit plan in administrative expenses in profit or loss.

Provision has been made for retirement gratuities from the first year of service for all employees in conformity with the LKAS 19. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

3.10 Dividends 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.

3.11 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.12 Leases

The Group assesses at the inception of a contract, whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16. This definition is applied to contracts entered into, on or after 1 April 2019.

Notes to the Financial Statements (contd.)

3.12.1 As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group

recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.13 Provisions

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

3.14 Contingent Liabilities

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 as defined in the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

3.15 Revenue

Revenue is recognised when control of the goods have been transferred to the customers, when mainly upon the arrival at the customer. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of the payment and excluding taxes.

Sale of goods

Revenue from the sale of goods is recognized when the control of the goods have been transferred to the buyer, usually on delivery of the 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.

3.16 Other Income

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 the income statement, after deducting from the net sales proceeds on disposal, the carrying amount such as assets.

Foreign currency gains and losses are reported on a net basis. Income from scrap sales are recognised when control of the goods have been passed to the buyer, usually on delivery of goods.

3.17 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.

3.18 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.

3.19 Borrowing Costs

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

3.20 Income Tax Expense

Income tax expense comprises of current and deferred tax. The income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to the items recognised directly in the Statement of Other Comprehensive income or Statement of Changes in Equity, in which case it is recognised directly in the respective statements.

3.20.1 Current Tax

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted on the reporting date, and any adjustment to tax payable in respect of previous years.

The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

3.20.1.1 IFRIC Interpretation 23 - Uncertainty over Income Tax Treatment

IFRIC – 23 interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination.

The Group applies significant judgement in identifying uncertainties over income tax treatments. The Group assesses whether an Interpretation will have an impact on its financial statements. The Group reviews its income tax treatments and concludes on any additional provisions.

3.20.2 Deferred Tax

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.

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

Notes to the Financial Statements (contd.)

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 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 Statement of Profit or Loss.

3.21 Stated Capital

3.21.1 Ordinary Shares

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

3.22 Operating Profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs.

3.23 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.

3.24 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.

3.25 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 Flow are comprised of those items as explained in Note 19.

3.26 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 April 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these Financial Statements.

The following amended standards are not expected to have a significant impact on the Group's Financial Statements.

- Onerous contracts - Cost of fulfilling a contract (Amendments to LKAS 37)
- Reference to Conceptual Framework (Amendments to SLFRS 3)
- Property, plant and equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Classification of liabilities as current or non-current (Amendments to LKAS 1)
- COVID 19 Related Rent Concession (Amendments to SLFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16) (continued)

4 REVENUE

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Gross revenue on liquid milk based products	3,269,820,117	2,931,157,152	-	-
Nation Building Tax (NBT)	-	(38,466,705)	-	-
Net revenue	3,269,820,117	2,892,690,447	-	-

5 COST OF SALES

Cost of the sales of the Group included direct operating cost and allocated overhead costs.

6 OTHER INCOME

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Write back of creditors no longer payable	-	2,449,342	-	-
Gain on disposal of property, plant and equipment	1,500,000	-	-	-
Scrap sales	1,301,272	985,555	-	-
	2,801,272	3,434,897	-	-

7 NET FINANCE COST

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
7.1 Finance income				
Interest income	2,467,763	3,681,162	-	137,885
	2,467,763	3,681,162	-	137,885
7.2 Finance cost				
Interest on other loans and bank charges	7,691,081	6,847,881	58,654	249,013
Interest cost on short term loan	28,755,700	4,964,657	-	-
Interest on bank overdraft	484,665	1,724,888	-	-
Interest on lease liability	1,763,119	2,189,751	-	-
	38,694,565	15,727,177	58,654	249,013
Net finance cost	(36,226,802)	(12,046,015)	(58,654)	(111,128)

Notes to the Financial Statements (contd.)

8 PROFIT BEFORE TAXATION

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.

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

Auditor's remuneration for audit	1,320,000	1,270,000	460,000	450,000
Depreciation on property, plant and equipment (Note 12)	121,198,348	57,879,630	-	-
Provision for impairment of trade and other receivables (Note 17.3)	251,785	3,531,480	-	-
Depreciation of right of use assets (Note 13.1.1)	4,431,116	4,431,116	-	-
(Reversal of) / provision for inventory	(1,748,558)	430,001	-	-
Staff costs (Note 8.1)	254,055,093	251,318,047	-	-

8.1 Staff cost

Salaries, wages and other related costs	190,082,376	188,489,781	-	-
Employee benefits (Note 23)	7,710,689	6,643,194	-	-
Gratuity charges from inter company	2,930,069	1,554,031	-	-
Directors' emoluments	31,230,455	32,513,700	-	-
Equity-settled share based payment transaction (Note 21.3)	303,000	504,000	-	-
Defined contribution plan cost - PF and ETF	21,798,504	21,613,341	-	-
	254,055,093	251,318,047	-	-

Number of employees as at 31 March	175	180	-	-
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9 INCOME TAX EXPENSE

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.

Current tax charge (Note 9.1)	37,712,217	60,143,933	-	38,608
Deferred tax charge (Note 9.2)	(10,473,364)	4,773,154	-	-
	27,238,853	64,917,087	-	38,608

The tax liability of the Group is computed at the standard rate of 18% on business income and 24% on investment income for Kotmale Dairy Products (Pvt) Ltd and 24% for all the other companies (2020 - 28% for all companies) under the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
9.1 Reconciliation between current tax charge and profit/(loss) before taxation is given below:				
Profit before taxation	217,669,017	213,475,544	(4,285,728)	(4,696,632)
Aggregate investment income	(2,467,763)	(3,681,162)	-	(137,885)
Aggregate disallowed income / expenses	138,104,440	76,528,136	-	2,161,504
Aggregate allowable income / expenses	(151,370,053)	(77,877,282)	-	-
Tax losses incurred	4,286,328	2,673,363	-	-
Taxable business income (a)	206,221,969	211,118,599	(4,285,728)	(2,673,013)
Interest income	2,467,763	3,681,162	-	137,885
Taxable investment income (b)	2,467,763	3,681,162	-	137,885
Tax losses brought forward	42,099,378	39,426,015	4,834,517	2,161,504
Tax losses incurred	4,286,328	2,673,363	4,285,728	2,673,013
Tax losses carried forward	46,385,706	42,099,378	9,120,245	4,834,517
Taxable income (a+b)	208,689,732	214,799,761	-	137,885
Income tax expense at 28%	-	60,143,933	-	38,608
Income tax expense at 24%	592,263	-	-	-
Income tax expense at 18%	37,119,954	-	-	-
Current tax charge on profits	37,712,217	60,143,933	-	38,608
9.2 Deferred tax charge				
Deferred tax charge arising from:				
- Property, plant and equipment	(15,298,352)	7,681,076	-	-
- Employee benefits	2,603,841	(1,449,561)	-	-
- Provisions	241,339	(141,121)	-	-
- Employee share options scheme	1,979,093	(981,469)	-	-
- Right of use assets and lease liability	715	(335,771)	-	-
Deferred tax charge	(10,473,364)	4,773,154	-	-

Deferred tax has been computed taking into consideration the tax rates substantively effective as at the reporting date which is 18% for Kotmale Dairy Products (Pvt) Ltd and 24% for all the other companies (2020 - 28% for all companies). The deferred tax effect on reserves on subsidiaries has not been recognised since the Parent can control the timing of the reversal of these temporary differences.

Notes to the Financial Statements (contd.)

10 EARNINGS PER SHARE

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Profit/(loss) attributable to ordinary shareholders (Rs.)	190,430,164	148,558,457	(4,285,728)	(4,735,240)
Weighted average number of ordinary shares	31,400,000	31,400,000	31,400,000	31,400,000
Basic earnings per share (Rs.)	6.06	4.73	(0.14)	(0.15)

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

11 DIVIDEND PER SHARE

For the year ended 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Dividend per share	-	-	-	-

12 PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land	Freehold building	Plant, machinery and equipment	Furniture and fittings	Computers and accessories	Motor vehicles	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs	Rs.
2020								
Cost/revaluation								
As at 1 April 2019	202,030,000	105,005,000	476,770,796	11,861,397	12,927,555	20,273,544	227,575,411	1,056,443,703
Additions	-	40,064,302	89,202,315	-	196,017	7,980,000	472,711,076	610,153,710
Transfers from CWIP	-	46,817,780	88,137,129	-	-	-	(134,954,909)	-
As at 31 March 2020	202,030,000	191,887,082	654,110,240	11,861,397	13,123,572	28,253,544	565,331,578	1,666,597,413
Accumulated depreciation and impairment losses								
As at 1 April 2019	-	8,157,403	274,838,591	10,711,454	10,936,555	19,940,863	-	324,584,866
Depreciation	-	10,799,302	43,743,532	699,477	892,574	1,744,745	-	57,879,630
As at 31 March 2020	-	18,956,705	318,582,123	11,410,931	11,829,129	21,685,608	-	382,464,496
Carrying value								
As at 31 March 2020	202,030,000	172,930,377	335,528,117	450,466	1,294,443	6,567,936	565,331,578	1,284,132,917
2021								
	Freehold land	Freehold building	Plant, machinery and equipment	Furniture and fittings	Computers and accessories	Motor vehicles	Capital work in progress	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs	Rs.
Cost/revaluation								
As at 1 April 2020	202,030,000	191,887,082	654,110,240	11,861,397	13,123,572	28,253,544	565,331,578	1,666,597,413
Additions	-	1,080,000	81,719,739	496,510	576,250	25,688,580	281,611,440	391,172,519
Transfers from CWIP	-	445,603,998	199,901,077	13,951,718	98,500	-	(659,555,293)	-
Revaluation	58,920,000	83,447,758	-	-	-	-	-	142,367,758
Transfer of Acc. Dep. on Revaluation	-	(64,079,438)	-	-	-	-	-	(64,079,438)
Disposals	-	-	-	-	-	(3,800,000)	-	(3,800,000)
As at 31 March 2021	260,950,000	657,939,400	935,731,056	26,309,625	13,798,322	50,142,124	187,387,725	2,132,258,252
Accumulated depreciation and impairment losses								
As at 1 April 2020	-	18,956,705	318,582,123	11,410,931	11,829,129	21,685,608	-	382,464,496
Depreciation	-	45,122,733	69,473,827	988,863	738,054	4,874,871	-	121,198,348
Transfer of Acc. Dep. on Revaluation	-	(64,079,438)	-	-	-	-	-	(64,079,438)
Disposals	-	-	-	-	-	(3,800,000)	-	(3,800,000)
As at 31 March 2021	-	-	388,055,950	12,399,794	12,567,183	22,760,479	-	435,783,406
Carrying value								
As at 31 March 2021	260,950,000	657,939,400	547,675,106	13,909,831	1,231,139	27,381,645	187,387,725	1,696,474,846

Notes to the Financial Statements (contd.)

12.1 Revaluation of Freehold Land and Buildings

The freehold land and building of the Group was revalued as at 31 March 2021 by an independent professional valuer, Mr. Tissa Weeratne FIVSL (Reg. No. F 53), on a depreciated replacement cost basis for building and market value base for lands as at the date of valuation. The revalued amount was incorporated in the financial statement as at 31 March 2021.

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

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. 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. The fair value measurement for these land and buildings classified as property plant and equipment has been categorised as a level 3 fair value based on the inputs to the valuation techniques used.

Description of valuation techniques used and key inputs to valuation and real estate portfolio:

Property	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq. ft.)	No. of Buildings	Significant unobservable inputs	Sensitivity of fair values to unobservable input	Revalued amount as at 31.03.2021 Rs.
Mulleriyawa	<p>Land - 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.</p> <p>Building - Depreciated Replacement Cost method This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.</p>	31/03/2021	Mr. Tissa Weeratne FIVSL	1 . 7 Acres	35,528	3	Land market value per perch - Rs. 100,000 to Rs. 1,000,000 and building DRC per Sq. ft - Rs. 1,850 to Rs. 30,710	Positive correlated sensitivity	Land - 150,000,000 Building - 178,717,000

Property	Method of valuation	Effective date of valuation	Property valuer	Land extent	Building area (Sq. ft.)	No. of Buildings	Significant unobservable inputs	Sensitivity of fair values to unobservable input	Revalued amount as at 31.03.2021 Rs.
Bogahawatta	Land - 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.	31/03/2021	Mr. Tissa Weeratne FIVSL	1 Acres	33,311	6	Land market value per perch - Rs. 300,000 and building DRC per Sq. ft - Rs. 350 to Rs. 16,300	Positive correlated sensitivity	Land - 48,000,000 Building - 437,750,000
Hatton	Building - Depreciated Replacement Cost method This method considers the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.	31/03/2021	Mr. Tissa Weeratne FIVSL	17.5 Acres	14,569	4	Land market value per perch - Rs. 22,500 and building DRC per Sq. ft - Rs. 1,000 to Rs. 3,200	Positive correlated sensitivity	Land - 62,950,000 Building - 41,472,400

The carrying amount of revalued land and buildings if they were carried at cost less depreciation, would be as follows;

As at 31 March	Land		Building	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cost	73,571,700	73,571,700	594,623,698	147,939,700
Accumulated depreciation	-	-	(42,944,859)	(21,108,147)
Carrying value	73,571,700	73,571,700	551,678,839	126,831,553

Notes to the Financial Statements (contd.)

12.2 Capital work in progress consists of expenditure incurred on projects which are not completed and commenced business operation as at the reporting date.

12.3 Fully depreciated assets of the Group as at the 31 March 2021 is Rs. 206,685,862 (2020- Rs. 183,322,210).

12.4 Impairment

The Management has assessed the potential impairment loss of property, plant and equipment as at 31 March 2021. Based on the assessment, the Group does not foresee any indications of impairment as at the reporting date due to the COVID-19 pandemic, and functions under the Business Continuity Plan as per the Group's Risk Management Strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives.

13 LEASES

13.1 Amounts recognised in the statement of financial position

The Group's material leases include properties leased. The useful life of the leases of the Group is between 1-3 years. Information about leases for which the Group is a lessee is presented below.

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
13.1.1 Right of use assets				
Balance as at 1 April	15,183,646	-	-	-
Recognition of right of use assets on initial application of SLFRS 16	-	19,614,762	-	-
Depreciation	(4,431,116)	(4,431,116)	-	-
Balance as at 31 March	10,752,530	15,183,646	-	-

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
13.1.2 Lease liability				
Balance as at 1 April	16,382,826	-	-	-
Recognition of lease liabilities on initial application of SLFRS 16	-	19,781,157	-	-
Interest expense	1,763,119	2,189,751	-	-
Payments	(5,532,000)	(5,588,082)	-	-
Balance as at 31 March	12,613,945	16,382,826	-	-
Lease liability included in the statement of financial position as at 31 March				
Current	4,063,412	3,768,881	-	-
Non-current	8,550,533	12,613,945	-	-
Total lease liability as at 31 March	12,613,945	16,382,826	-	-
Maturity analysis - contractual undiscounted cash flows				
Less than one year	5,350,000	5,532,000	-	-
One to five years	9,614,000	14,964,000	-	-
More than five years	-	-	-	-
Total undiscounted liabilities as at 31 March	14,964,000	20,496,000	-	-
13.2 Amounts recognised in profit or loss				
Depreciation of right of use assets	4,431,116	4,431,116	-	-
Interest expense on lease liability	1,763,119	2,189,751	-	-
Expense relating to short term leases	6,684,115	5,625,024	-	-
	12,878,350	12,245,891	-	-
13.3 Amounts recognised in statement of cash flows				
Total cash outflow for leases	5,532,000	5,588,082	-	-
	5,532,000	5,588,082	-	-

13.4 Impairment

The Group does not foresee any indications of impairment of right of use assets due to the COVID-19 pandemic since as Group is operating under the Business Continuity Plan as per the Group Risk Management Strategy, to the extent possible, whilst strictly adhering to and supporting government directives. The Group does not anticipate discontinuation of any right of use assets as at the year end.

Notes to the Financial Statements (contd.)

14 INTANGIBLE ASSETS

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Gross value				
At the beginning and end of the year	97,773,232	97,773,232	-	-
Impairment				
At the beginning of the year	(41,909,958)	(41,909,958)	-	-
Impairment for the year	-	-	-	-
At the end of the year	(41,909,958)	(41,909,958)	-	-
Net carrying value	55,863,274	55,863,274	-	-

The Group's intangible assets represent the goodwill from the acquisition of subsidiaries. Goodwill as at the reporting date has been tested for impairment and found no impairment in carrying value. Recoverable value has been estimated based on the value in use method as stipulated in LKAS 36 - "Impairment of Assets".

14.1 Impairment testing for CGUs containing goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGU (operating divisions) as follows.

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Kotmale Products Limited	55,863,274	55,863,274	-	-
Total	55,863,274	55,863,274	-	-

14.1.1 CGU 1 - Kotmale Products Limited

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The key assumptions used in the estimation of value in use were as follows:

	2021	2020
Discount rate	11.64%	11.85%
Terminal value growth rate	3%	3%
Budgeted EBITDA growth rate (average of next five years)	10%	10%

The discount rate was based on the weighted average cost of capital (WACC) for the Company, determined by considering the cost of equity and cost of debt proportionately weighted.

Five years of cash flows were included in the discounted cash flow model. A long-term nominal growth rate into perpetuity has been determined as 3% based on management's internal assessment.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

A reasonably possible change in any of the key assumptions on which the management has based its determination of the CGU's recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

15 INVESTMENT IN SUBSIDIARIES

As at 31 March	No. of Shares	Ownership %	Group		Company	
			2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
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

16 INVENTORIES

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Finished goods	157,245,887	107,877,044	-	-
NRV written off	-	-	-	-
	157,245,887	107,877,044	-	-
Raw materials	64,149,603	55,750,532	-	-
Provision for raw materials	(310,810)	(641,628)	-	-
	63,838,793	55,108,904	-	-
Packing materials	87,990,839	40,698,830	-	-
Provision for packing materials	(1,437,149)	(2,854,889)	-	-
	86,553,690	37,843,941	-	-
Other inventories (Note 16.1)	74,797,748	57,530,394	-	-
Provision for other inventories	(50,000)	(50,000)	-	-
	74,747,748	57,480,394	-	-
	382,386,118	258,310,283	-	-
16.1 Other inventories				
Crates	28,350,268	25,045,931	-	-
Milk cans	25,016,980	16,585,710	-	-
Engineering spares and other consumables	21,430,500	15,898,753	-	-
	74,797,748	57,530,394	-	-

Any inventories mortgaged for bank facilities are disclosed Note 31.2.1 in notes to the financial statements.

Notes to the Financial Statements (contd.)

17 TRADE AND OTHER RECEIVABLES

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade receivables	268,682,235	240,999,866	-	-
Provision for impairment of trade receivables (Note 17.3)	(15,081,251)	(14,829,466)	-	-
	253,600,984	226,170,400	-	-
Staff debtors (Note 17.1)	5,791,126	8,256,714	-	-
Other receivables (Note 17.2)	6,213,936	6,132,160	-	-
Deposits, advances and prepayments	147,496,049	157,501,280	736,727	698,121
	413,102,095	398,060,554	736,727	698,121

Any trade receivables mortgaged for bank facilities are disclosed Note 31.2.1 in notes to the financial statements.

Deposits, advance and prepayments of the Group mainly consist of advances paid to suppliers amounting to Rs. 137,751,250 (2020 - Rs. 145,924,847).

17.1 Staff debtors

Balance at the beginning of the year	8,256,714	1,389,695	-	-
Advances given during the year	5,826,417	12,859,019	-	-
Repayment made during the year	(8,292,005)	(5,992,000)	-	-
Balance at the end of the year	5,791,126	8,256,714	-	-

17.2 Other receivables

Receivables from farmers (Note 17.2.1)	9,628,958	8,262,774	-	-
Other debtors	3,913,579	5,197,987	-	-
	13,542,537	13,460,761	-	-
Provision for other receivables	(7,328,601)	(7,328,601)	-	-
	6,213,936	6,132,160	-	-

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

17.3 Movements of provision for impairment of trade receivables

At the beginning of the year	14,829,466	11,297,986	-	-
Provision for the period	251,785	3,531,480	-	-
At the end of the year	15,081,251	14,829,466	-	-

18 AMOUNT DUE FROM / DUE TO RELATED COMPANIES

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
18.1 Amount due from related companies				
Parent				
Cargills Ceylon PLC	599,218	1,552,748	-	-
Cargills Quality Foods Ltd.	-	1,070,605	568	568
	599,218	2,623,353	568	568
Subsidiaries				
Kotmale Dairy Products (Pvt) Ltd.	-	-	164,784,664	169,706,156
	-	-	164,784,664	169,706,156
Other related companies				
Cargills Foods Company (Pvt) Ltd.	76,806,360	55,779,159	-	-
Cargills Food Processors (Pvt) Ltd.	-	569,054	-	-
Cargills Food Services (Pvt) Ltd.	24,807	139,684	-	-
Millers Limited	-	838,997	-	-
	76,831,167	57,326,894	-	-
Total amount due from related companies	77,430,385	59,950,247	164,785,232	169,706,724
18.2 Amount due to related companies				
Parent				
Cargills (Ceylon) PLC	-	-	13,861	232,816
Cargills Quality Foods Ltd.	8,565	-	-	-
Cargills Quality Dairies (Pvt) Ltd.	13,436,866	146,390,261	-	-
	13,445,431	146,390,261	13,861	232,816
Other related companies				
Cargills Agri Foods Ltd.	35,000	3,355,814	-	-
Millers Ltd.	208,794	-	-	-
Cargills Foods Company (Pvt) Ltd.	-	-	680,963	1,427,302
Cargills Quality Confectioneries (Pvt) Ltd.	660,518	582,233	-	-
CPC Lanka Ltd.	-	5,750	-	-
	904,312	3,943,797	680,963	1,427,302
Total amount due to related companies	14,349,743	150,334,058	694,824	1,660,118

Notes to the Financial Statements (contd.)

19 CASH AND CASH EQUIVALENTS

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
19.1 Cash at banks and in hand				
Cash at bank	55,547,862	10,380,863	2,515,934	2,617,115
Cash in hand	395,000	394,999	-	-
Fixed deposits - Maturity period is less than or equal to 3 months	-	11,840,306	-	-
	55,942,862	22,616,168	2,515,934	2,617,115
19.2 For the purpose of cash flow statement, the year end cash and cash equivalents comprise the following;				
Cash at banks and in hand (Note 19.1)	55,942,862	22,616,168	2,515,934	2,617,115
Bank overdrafts	(82,328,443)	(127,177,238)	-	-
	(26,385,581)	(104,561,070)	2,515,934	2,617,115
19.3 Short term investments				
Fixed deposits - Maturity period between 3 to 12 months	32,036,565	18,929,896	-	-
	32,036,565	18,929,896	-	-

20 STATED CAPITAL

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Issued and fully paid; 31,400,000 ordinary shares	314,000,000	314,000,000	314,000,000	314,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

21 RESERVES

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Capital reserves				
Employee share option reserve (Note 21.3)	3,261,791	2,958,791	-	-
Revaluation reserve (Note 21.1)	320,622,711	193,281,801	-	-
Capital reserve	1,784,545	1,784,545	1,784,545	1,784,545
	325,669,047	198,025,137	1,784,545	1,784,545
Revenue reserves				
General reserve	1,269,472	1,269,472	1,269,472	1,269,472
	326,938,519	199,294,609	3,054,017	3,054,017

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
21.1 Revaluation reserve consists of net surplus resulting from revaluation of land and building. Revaluation reserve movement is as below:				
Balance as at 1 April	193,281,801	193,281,801	-	-
Revaluation surplus	142,367,758	-	-	-
Deferred tax on revaluation surplus - land	(5,892,000)	-	-	-
Deferred tax on revaluation surplus - building	(15,020,596)	-	-	-
Deferred tax on prior year building revaluation surplus due to change in tax rate	5,885,748	-	-	-
Balance as at 31 March	320,622,711	193,281,801	-	-

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

21.3 Share based payment arrangements

At 31 March 2021, the Group had the following share-based payment arrangements:

i. Share option programmes (Equity-settled)

On 29 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 fair value of the employee share purchase plan has been measured using Binomial Valuation Model taking into consideration the various terms and conditions upon which the share options were granted by Cargills (Ceylon) PLC.

The cost of Share Based Payments accounted for in the Group's Financial Statements for the year amounted to Rs. 303,000 (2020 - Rs. 504,000).

22 DEFERRED TAX LIABILITY

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	52,298,685	47,569,496	-	-
Origination / (reversal) of deferred tax charge and impact of change in tax rate (Note 22.1)	3,755,839	4,729,189	-	-
At the end of the year	56,054,524	52,298,685	-	-

Deferred tax liability as at the year end is made up as follows.

Deferred tax liability arising from:

- Temporary difference of property, plant and equipment	37,949,760	53,248,112	-	-
- Temporary difference of revaluation surplus of freehold building	25,614,943	16,480,095	-	-
- Temporary difference of revaluation surplus of freehold land	5,892,000	-	-	-
- Temporary difference of employee benefits	(8,790,735)	(10,596,931)	-	-
- Temporary difference of provisions	(3,689,267)	(5,668,360)	-	-
- Temporary difference of employee share option scheme	(587,122)	(828,461)	-	-
- Temporary difference of right of use assets and lease liability	(335,055)	(335,770)	-	-
	56,054,524	52,298,685	-	-

Notes to the Financial Statements (contd.)

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
22.1 Origination / (reversal) of deferred tax charge and impact of change in tax rate				
Deferred tax (reversal)/charge recognised in profit or loss	(10,473,364)	4,773,154	-	-
Deferred tax charge/(reversal) recognised in other comprehensive income	14,229,203	(43,965)	-	-
	3,755,839	4,729,189	-	-

The Group's deferred tax charge recognised for the year ended 31 March 2021 includes benefit from change in tax rate as mentioned in Note 9.2 which amounts to Rs. 12,792,354 (2020 - Nil) recognised in profit or loss and Rs. 5,885,748 (2020 - Nil) recognised in other comprehensive income.

22.2 Unrecognised deferred tax assets

Temporary differences associated with the companies Kotmale Milk Foods Limited, Kotmale Milk Products Limited and Kotmale Holdings PLC, for which the deferred tax assets have not been recognised, are disclosed below:

As at 31 March	Group		Company	
	2021 Tax effect on Temporary Difference Rs.	2020 Tax effect on Temporary Difference Rs.	2021 Tax effect on Temporary Difference Rs.	2020 Tax effect on Temporary Difference Rs.
Provision for impairment of trade receivables	459,342	535,899	-	-
Tax losses	11,132,569	11,787,826	2,188,859	1,353,665
	11,591,911	12,323,725	2,188,859	1,353,665

23 EMPLOYEE BENEFITS

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At the beginning of the year	37,846,183	32,512,160	-	-
Expense recognised in profit or loss (Note 23.1)	7,710,689	6,643,194	-	-
Expense recognised in other comprehensive income (Note 23.2)	4,431,360	157,019	-	-
Benefits paid	(1,150,815)	(1,466,190)	-	-
At the end of the year	48,837,417	37,846,183	-	-

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
23.1 Amounts recognised in profit or loss				
Current service cost	3,736,840	3,066,857	-	-
Interest cost	3,973,849	3,576,337	-	-
	7,710,689	6,643,194	-	-
23.2 Amounts recognised in other comprehensive income				
Actuarial loss arising from:				
- experience adjustment (Financial and Demographic)	(1,235,899)	220,587	-	-
- changes in financial assumptions	5,252,739	(63,568)	-	-
- changes in demographic assumptions	414,520	-	-	-
	4,431,360	157,019	-	-

23.3 This obligation is not externally funded.

23.4 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 the year end. The principal assumptions used in actuarial valuation were as follows;

For the year ended 31 March	Group	
	2021	2020
Discount rate (the rate of interest used to discount the future cash flows in order to determine the present value)	8.00%	10.50%
Future salary increment rate		
-Executive	9.50%	10.00%
-Staff	9.50%	10.00%
Retirement age (years)	55	55

In addition to the above, demographic assumptions such as mortality and withdrawal and disability were considered for the actuarial valuation. "A 67/70 mortality table" issued by the Institute of Actuaries London was used to estimate the gratuity liability.

Notes to the Financial Statements (contd.)

23.5 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			
	2021		2020	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate (1% movement)	(2,387,795)	2,615,128	(2,088,217)	2,308,419
Future salary increment rate (1% movement)	2,724,634	(2,530,571)	2,434,052	(2,234,624)

24 TRADE AND OTHER PAYABLES

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade payables	162,371,019	155,252,539	-	-
Other payables	10,921,834	43,732,246	-	-
Accrued expenses	73,948,755	42,677,802	2,786,319	2,519,365
Dividend payable	1,954,816	1,954,815	1,954,816	1,954,815
	249,196,424	243,617,402	4,741,135	4,474,180

25 BORROWINGS

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current				
Short term loans (Note 25.1)	705,000,000	248,500,000	-	-
Total borrowings	705,000,000	248,500,000	-	-

25.1 Short term loans

Hatton National Bank	605,000,000	148,500,000	-	-
Commercial Bank	100,000,000	100,000,000	-	-
Total short term loans	705,000,000	248,500,000	-	-

26 COMMITMENTS

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.

26.1 Capital Commitments

Capital Commitments approved and contracted for as at the reporting date	-	15,106,223	-	-
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27 CONTINGENT LIABILITIES

27.1 Letter of Guarantee to Commercial Banks

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

- Kotmale Dairy Products (Pvt) Ltd. - Rs. 50 Mn (Details on Note 31.2.1)
- Kotmale Milk Products Ltd. - Rs. 25 Mn (Details on Note 31.2.1)

Total value of the guarantees given by the Company exceeds 20% of the Company's net worth, details are disclosed in Note 31.2.1 as per the Section 8 of the CSE Listing Rules. The Directors of the Company do not expect any claim on these guarantees, hence no provision has been made in the financial statements.

27.2 IFRIC 23 - Uncertainty over Income Tax Treatments

27.2.1 Deferred tax on Freehold Land

The Inland Revenue Act No. 24 of 2017 and new tax rates including capital gains taxes were effective from 1 April 2018. Accordingly, the income tax charge for the year ended 31 March 2021 has been computed at rates applicable to the year of assessment 2020/21. The provision for deferred tax as at 31 March 2021 has been calculated at 10% on capital gains arising from revalued freehold land applicable post 1 April 2018.

The uncertain tax treatment relates to the interpretation of the new law relating to freehold land for tax purposes, where the group had to exercise judgement 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 that it is likely that the taxation authorities would accept the Group's tax treatment and accordingly, deferred tax has been provided on the related gain on revaluation post 1 April 2018.

In the event it is deemed that freehold land be considered as "Capital Assets used in the business", the Company and Group would have to make an additional deferred tax charge in the other comprehensive income for the year ended 31 March 2021 amounting to Rs. 9.6 Mn (2020 - Rs. 10.5 Mn), with a consequential increase in the deferred tax liability on the statement of financial position for the year ended 31st March 2021.

The above amounts have not been recognised in these consolidated financial statements because based on the independent professional and legal advice received, the Group believes that the tax treatment is in compliance with the applicable law and, if challenged, the Group believes that it is probable that it would successfully defend the Group's tax treatment in court.

27.2.2 Income Tax

The income tax exemptions and concessions claimed under the Inland Revenue Act No. 10 of 2006 by Kotmale Dairy Products (Pvt) Ltd for the years of assessment between 2008/09 to 2017/18 are being contested by the Department of Inland Revenue. The contingent liability on potential income tax payment amounts to Rs. 77.38 Mn. Having sought professional advice, the Management is confident that the tax exemptions and concessions are applicable and as such no liabilities would arise.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. Accordingly, no additional provision has been made in the Financial Statements.

Notes to the Financial Statements (contd.)

27.3 Litigation against the Group

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

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

28 EVENTS AFTER THE REPORTING DATE

There are no significant events that have been taken place since the reporting date which would require any adjustments or disclosure in the financial statements, except for the disclosures in Note 33.

29 TRANSACTIONS WITH RELATED COMPANIES

Companies within the group engage in trading and business transactions under normal commercial terms which gives rise to related company balances. The transaction are carried out in the ordinary course of the business and arms length in nature.

The related company balances have been disclosed under Note 18 to the financial statements.

29.1 Transactions 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 Group.

The Group has paid Rs. 31.2 Mn (2020 - Rs. 32.5 Mn) to directors as emoluments and no post employment benefits were paid during the year (2020 - Nil). There are no other payments made to Key Management Personnel apart from the disclosed amount.

29.2 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.

29.3 Transactions with related companies

The companies within the Group are engaged in trading and business transactions under normal commercial terms which give rise to related company balances. The balances have been disclosed under Note 18 to the financial statements and the transactions are summarised as follows;

For the year ended 31 March	Group		Company	
	2021	2020	2021	2020
Parent				
Sales of goods	13,459,790	217,139,074	-	-
Purchases	(65,715,756)	(18,163,113)	-	-
(Receiving) / Rendering of services	(122,299,987)	(258,692,060)	(1,533,321)	(1,806,504)
Settlement / Fund transfer	305,476,648	(53,741,909)	1,752,276	15,237,108
Subsidiaries				
Sales of goods	-	-	-	-
Purchases	-	-	-	-
(Receiving) / Rendering of services	-	-	-	89,622,094
Settlement / Fund transfer	-	-	(4,921,492)	(51,232,798)
Other related companies				
Sales of goods	863,736,761	680,878,412	-	-
Purchases	(18,586,664)	(22,844,876)	-	-
(Receiving) / Rendering of services	(34,210,284)	(60,902,659)	(55,000)	(9,456,738)
Settlement / Fund transfer	(788,396,055)	(583,032,406)	801,339	8,185,351

29.4 Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate the value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group and/or the Company as per the audited financial statements as at 31 March 2020 which required additional disclosures in the 2020/21 Annual Report under the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

29.5 Recurrent related party transactions

The Group and the Company are engaged in related party transactions which in aggregate, the value exceeds 10% of the consolidated revenue of the Group as per the audited financial statements as at 31 March 2020, which required additional disclosures in the 2020/21 Annual Report under the Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Name of the Company	Relationship	Nature of Transaction	Group				Company			
			2021		2020		2021		2020	
			Rs.	PONR	Rs.	PONR	Rs.	PONR	Rs.	PONR
Cargills Foods Company (Pvt) Ltd.	Common parent	Supermarket Sales	862,912,973	26%	676,678,603	23%	-	-	-	-

PONR - Percentage of Net Revenue

These transactions have occurred on a daily or monthly basis throughout the year.

Notes to the Financial Statements (contd.)

29.6 Amounts due from / due to related companies

The relationship of related companies along with the amount due from and due to as at the year end have been disclosed under Note 18 to these financial statements.

30 FINANCIAL INSTRUMENTS

30.1 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with SLFRS 9.

As at 31 March	Group		Company	
	Financial assets at amortised cost		Financial assets at amortised cost	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Financial assets by categories				
Trade and other receivables, excluding deposits, prepayments and advances	265,606,046	240,559,274	-	-
Amounts due from related companies	77,430,385	59,950,247	164,785,232	169,706,724
Short term investments	32,036,565	18,929,896	-	-
Cash and cash equivalents	55,942,862	22,616,168	2,515,934	2,617,115
Total	431,015,858	342,055,585	167,301,166	172,323,839

The fair value of financial assets at amortised cost category does not significantly vary from the carrying value based on amortised cost.

As at 31 March	Group		Company	
	Financial liabilities at amortised cost		Financial liabilities at amortised cost	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Financial liabilities by categories				
Trade and other payables, excluding accrued expenses	175,247,669	200,939,600	1,954,816	1,954,815
Amounts due to related companies	14,349,743	150,334,058	694,824	1,660,118
Borrowings	705,000,000	248,500,000	-	-
Lease liability	12,613,945	16,382,826	-	-
Bank overdrafts	82,328,443	127,177,238	-	-
Total	989,539,800	743,333,722	2,649,640	3,614,933

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.

30.2 Fair value hierarchy

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

As at 31 March	Note	Level 3	
		2021 Rs.	2020 Rs.
Non financial assets measured at fair value			
Freehold land and buildings	12	918,889,400	307,035,000

Description of fair valuation techniques used and key inputs to fair valuation of freehold land and buildings are disclosed in Note 12.1.

31 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 financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

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

31.1 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.

The Group implemented several initiatives such as periodic review of the creditworthiness of its counterparties using external ratings, financial statements reviews, and industry information. Further, economic environment was scrutinized in response to the COVID-19 pandemic limiting exposure to counterparties who were severely affected.

Carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk at the reporting date was as follows;

Notes to the Financial Statements (contd.)

Carrying value

As at 31 March	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade receivables	253,600,984	226,170,400	-	-
Staff debtors and other receivables	12,005,062	14,388,874	-	-
Amount due from related companies	77,430,385	59,950,247	164,785,232	169,706,724
Short term investments	32,036,565	18,929,896	-	-
Cash and cash equivalents, excluding cash in hand	55,547,862	22,221,169	2,515,934	2,617,115
	430,620,858	341,660,586	167,301,166	172,323,839

31.1.1 Trade receivables, net of provision for impairment

Past due 1 - 30 days	169,804,375	117,894,739	-	-
Past due 31 - 60 days	57,337,692	49,296,503	-	-
Past due 61 - 90 days	20,655,801	45,099,225	-	-
Past due more than 91 days	5,803,116	13,879,933	-	-
	253,600,984	226,170,400	-	-

The provision for impairment of trade receivables are relevant to the trade receivables outstanding for more than 90 days. The Group has obtained bank guarantees from major customers by reviewing their past performance and credit worthiness.

31.1.2 Staff debtors and other receivables

Represent amounts due from suppliers, farmers and permanent employees.

31.1.3 Amount due from related companies

The Group's amounts due from related companies mainly consist of receivables from other related companies and parent companies. The Company's amount due from related companies consist of receivables from subsidiaries, other related companies and parent companies.

31.1.4 Short term investments

Short term investments represent investment in fixed deposits with a maturity period between 3 to 12 months. The short term investments are held with banks which are rated AA-(lka), based on Fitch Ratings.

31.1.5 Cash and cash equivalents, excluding cash in hand

The Group and the Company held cash and cash equivalents excluding cash in hand of Rs. 55.5 Mn and Rs. 2.5 Mn at 31 March 2021 (2020: Rs. 22.2 Mn and Rs. 2.6 Mn), which represents its maximum credit exposure on these assets. The cash and cash equivalents excluding cash in hand are held with banks which are rated A(lka) to BBB-(lka), based on Fitch Ratings.

31.1.6 Guarantees

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

31.2 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 Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to shortage of funds by considering maturity of both the Group's financial investment and financial assets and other projected cash flow from operations.

The Group's objective is to maintain balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts over a wider spread of maturity periods.

In liquidity risk management, the Group uses a mixed approach where it combines elements of cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows that can be generated through the sale of assets, repurchase agreement or secured borrowings.

The Group considered that Cash flow scrutiny is paramount at uncertain times and adopted a disciplined approach across the Group including setting up of an internal Committee for preserving and increasing liquidity, particularly to respond to possible future liquidity constraints arising from the COVID-19 pandemic.

The following are the contractual maturities of financial liabilities as at 31 March 2021.

Group	Undiscounted Contractual Cash Flows						Total Rs.	Carrying Value Rs.
	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.		
	Trade and other payables, excluding accrued expenses	175,247,669	-	-	-	-		
Amounts due to related companies	14,349,743	-	-	-	-	-	14,349,743	14,349,743
Borrowings	705,000,000	-	-	-	-	-	705,000,000	705,000,000
Lease liability	5,350,000	5,016,000	4,598,000	-	-	-	14,964,000	12,613,945
Bank overdrafts	82,328,443	-	-	-	-	-	82,328,443	82,328,443
	982,275,855	5,016,000	4,598,000	-	-	-	991,889,855	989,539,800

Company	Undiscounted Contractual Cash Flows						Total Rs.	Carrying Value Rs.
	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.		
	Trade and other payables, excluding accrued expenses	1,954,816	-	-	-	-		
Amounts due to related companies	694,824	-	-	-	-	-	694,824	694,824
	2,649,640	-	-	-	-	-	2,649,640	2,649,640

Notes to the Financial Statements (contd.)

The following are the contractual maturities of financial liabilities as at 31 March 2020.

Group	Undiscounted Contractual Cash Flows						Total	Carrying Value
	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.		
Trade and other payables, excluding accrued expenses	200,939,600	-	-	-	-	-	200,939,600	200,939,600
Amounts due to related companies	150,334,058	-	-	-	-	-	150,334,058	150,334,058
Borrowings	248,500,000	-	-	-	-	-	248,500,000	248,500,000
Lease liability	5,532,000	5,350,000	5,016,000	4,598,000	-	-	20,496,000	16,382,826
Bank overdrafts	127,177,238	-	-	-	-	-	127,177,238	127,177,238
	732,482,896	5,350,000	5,016,000	4,598,000	-	-	747,446,896	743,333,722

Company	Undiscounted Contractual Cash Flows						Total	Carrying Value
	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.		
Trade and other payables, excluding accrued expenses	1,954,831	-	-	-	-	-	1,954,831	1,954,815
Amounts due to related companies	1,660,118	-	-	-	-	-	1,660,118	1,660,118
	3,614,949	-	-	-	-	-	3,614,949	3,614,933

31.2.1 Borrowings

The Group has access to the following facilities in place which can be utilized to meet its liabilities when they fall due, if required.

Institution and the facility	Principle Amount Rs.	Amount Outstanding Rs.	Repayment terms and interest rates	Security offered
Kotmale Dairy Products (Pvt) Ltd.				
Bank overdrafts				
Bank of Ceylon	10,000,000	-	On demand, based on market rates	Corporate Guarantee from Kotmale Holdings PLC. Mortgage over stocks and book debtors.
Commercial Bank of Ceylon PLC	50,000,000	-	On demand, based on monthly AWPLR +1.0%	Letter of Comfort obtained from Cargills Quality Dairies (Private) Limited
Hatton National Bank PLC	250,000,000	-	On demand, based on monthly AWPLR + 0.5%	Clean basis
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.
Short term loans				
Hatton National Bank PLC	1,000,000,000	605,000,000	4 months, based on weekly AWPLR	Clean basis
Commercial Bank of Ceylon PLC	100,000,000	100,000,000	1-12 months, based on the prevailing market rates	Letter of Comfort obtained from Cargills Quality Dairies (Private) Limited

Institution and the facility	Principle Amount Rs.	Amount Outstanding Rs.	Repayment terms and interest rates	Security offered
Kotmale Milk Products Ltd.				
Bank overdrafts				
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.

31.3 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.

31.3.1 Currency Risk

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar from March 2020 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic.

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. Currency risk exposure is not material to the Group.

31.3.2 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 global outbreak of the novel COVID-19 pandemic has resulted in a consecutive reduction in policy rates and monetary easing policies by CBSL. Further, there is a reduction in the yield of treasury bill and bond market.

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 Group to negotiate competitive rates.

31.4 Capital Management

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

As at 31 March	Group		Company	
	2021	2020	2021	2020
Debt/Equity	93%	93%	2%	2%

Notes to the Financial Statements (contd.)

32 SEGMENTAL INFORMATION

At present the only significant operating segment in the Group is Fast Moving Consumer Goods (FMCG). There are no distinguishable components to be identified as geographical segments for the Group.

33 IMPACT DUE TO THE COVID 19

Following the spread of global pandemic COVID-19 in Sri Lanka and due to impose of quarantine curfew and lockdown, the Group's business operations were affected from Mid-March to Mid-May 2020. The factories in the Group continued to operate on a lower scale during the initial few days of the lockdown. Thereafter, the operation of all the manufacturing plants as well as distribution activities of the Group progressively increased after taking numerous measures adhering to all Government and Health Authority rules and regulations to ensure the safety our employees, customers and suppliers. Further, the Group managed to continue its milk procurement from local dairy farmers.

The health and wellbeing of our employees, customers and other affected parties are paramount and we have established several protocols to protect them and to minimise contact. We are prioritising those that are most susceptible to COVID-19, including those with underlying health conditions.

The Group has evaluated its financial position and tested for any material impairment due to the effects of COVID-19. The Group is satisfied that there were no indications that required to make an adjustment into financial statements. The Group has strong net asset position and cash position and banking facilities are available to continue its business operations.

In view of the rapidly evolving dynamic environment created by the COVID-19 pandemic, the Group is cautiously optimistic of the future in anticipation of the gradual revival of the economy and will continue to closely observe the market developments and take all decisions and measures in order to ensure the Group remains a going concern and continues to deliver shareholder value.

Five Year Financial Summary

Group	2016/17 Rs. 000	2017/18 Rs. 000	2018/19 Rs. 000	2019/20 Rs. 000	2020/21 Rs. 000	
Financial Results						
Net revenue	2,132,962	2,317,243	2,545,600	2,892,690	3,269,820	
Results from operating activities	254,881	300,569	205,102	225,522	253,896	
Profit before taxation	348,423	365,835	222,316	213,476	217,669	
Profit attributable to equity shareholders of the parent	216,367	210,581	155,959	148,558	190,430	
Financial Position						
Stated capital	314,000	314,000	314,000	314,000	314,000	
Reserves	688,638	474,656	631,676	780,459	1,094,899	
Capital and reserves	1,002,638	788,656	945,676	1,094,459	1,408,899	
Current assets	943,302	648,297	694,919	757,867	960,898	
Current liabilities	(349,530)	(388,433)	(456,883)	915,829	(1,201,647)	
Working capital	593,772	259,864	238,036	(159,781)	(240,749)	
Non-current assets	469,335	601,977	787,722	1,355,180	1,763,091	
Non-current liabilities	(60,469)	(73,185)	(80,082)	102,759	(113,442)	
Net assets	1,002,638	788,656	945,676	1,094,459	1,408,899	
Key Indicators						
Growth in net revenue	%	15.90	8.64	9.85	13.63	13.04
Growth in earnings	%	6.39	(2.67)	(25.94)	(4.74)	28.19
Return on total assets	%	15.32	16.84	10.52	7.03	6.99
Growth in total assets	%	(9.38)	(11.49)	18.59	42.52	28.91
Growth in capital and reserves	%	(16.82)	(21.34)	19.91	15.73	28.73
Return on investment	%	21.58	26.70	16.49	13.57	13.52
Earnings per share	(Rs.)	6.89	6.71	4.97	4.73	6.06
Dividend per share	(Rs.)	13.30	16.00	-	-	-
Dividend pay out	(times)	1.93	2.38	-	-	-
Dividend paid per share	(Rs.)	13.30	16.00	-	-	-
Net assets per share	(Rs.)	31.93	25.12	30.12	34.86	44.87
Market value per share (Closing)	(Rs.)	90.40	200.70	230.00	178.60	228.00
Market capitalisation	(Rs.)	2,838,560,000	6,301,980,000	7,222,000,000	5,608,040,000	7,159,200,000
Debt equity ratio	(times)	0.41	0.59	0.57	0.93	0.93
Interest cover	(times)	366.08	369.28	151.89	14.34	6.56
Current ratio	(times)	2.70	1.67	1.52	0.83	0.80
Quick assets ratio	(times)	2.27	1.27	1.16	0.55	0.48

(a) The above ratios have been computed based on 31,400,000 numbers of issued and fully paid shares as at 31 March 2021.

(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 2021				31 March 2020			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
1 - 1,000	520	95.94	61,553	0.20	534	96.04	61,581	0.20
1,001 - 10,000	18	3.32	31,814	0.10	18	3.24	31,786	0.10
10,001 - 100,000	3	0.55	114,171	0.36	3	0.54	114,171	0.36
100,001 - 1,000,000	-	-	-	0.00	-	-	-	0.00
Over 1,000,000	1	0.18	31,192,462	99.34	1	0.18	31,192,462	99.34
Total	542	100.00	31,400,000	100.00	556	100.00	31,400,000	100.00

4. ANALYSIS OF SHAREHOLDERS

Shareholder Category	31 March 2021				31 March 2020			
	Shareholders		Holding		Shareholders		Holding	
	Number	%	Number	%	Number	%	Number	%
Individuals	521	96.13	147,067	0.47	535	96.22	147,848	0.47
Institutions	21	3.87	31,252,933	99.53	21	3.78	31,252,152	99.53
Total	542	100.00	31,400,000	100.00	556	100.00	31,400,000	100.00
Resident	537	99.08	31,397,145	99.99	550	98.92	31,396,945	99.99
Non-Resident	5	0.92	2,855	0.01	6	1.08	3,055	0.01
Total	542	100.00	31,400,000	100.00	556	100.00	31,400,000	100.00

5. PUBLIC HOLDING

The percentage of shares held by the public and number of public shareholders as at 31 March 2021 is 0.49% (2020-0.49%) and 539 (2020-553) respectively. The total number of shares in issue is 31,400,000, of which Public Holding represents 153,222 shares. The float adjusted market capitalisation amounts to Rs. 34.9Mn.

Consequent to the Company being non-compliant with Rule 7.13.1(a) as of 01 July 2018, the Securities of the Company has been transferred to Watch List on 01 July 2018.

6. SHARE PRICE MOVEMENTS FOR THE PERIOD

The market price of share recorded for the year ended 31 March	2021 Rs.	2020 Rs.
Highest	263.90	230.00
Lowest	170.00	171.00
Last traded price	228.00	178.60

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 2021	Holding %	No. of Shares as at 31 March 2020	Holding %
1	Cargills Quality Dairies (Pvt) Ltd.	31,192,462	99.34	31,192,462	99.34
2	Cargills (Ceylon) PLC	54,315	0.17	54,315	0.17
3	Mrs.I.S.Jayasinghe	37,500	0.12	37,500	0.12
4	Mr.K.C.Vignarajah	22,356	0.07	22,356	0.07
5	Dr.G.R.Handy	2,950	0.01	2,950	0.01
6	Uniwalkers Limited	2,550	0.01	2,550	0.01
7	Mrs.R.T. Purasinghe	2,100	0.01	2,100	0.01
8	Mr.S. Muhunthan	2,096	0.01	2,096	0.01
9	Mr.Z.G. Carimjee	2,000	0.01	2,000	0.01
9	Mrs.S.Z. Nizam	2,000	0.01	2,000	0.01
9	Mr.P.R.A.Jansz	2,000	0.01	1,986	0.01
9	Mrs.P.T.D. Harasgama	2,000	0.01	2,000	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
15	Mr.B.Nadarajah	1,500	0.00	1,500	0.00
17	Miss.W.A.S.T.R.S.Jansz	1,450	0.00	-	-
18	Dr.G.W.Karunaratne	1,400	0.00	1,400	0.00
19	People's Leasing & Finance PLC/Mr.A.L.Ranaweera	1,308	0.00	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 fourth Annual General Meeting of Kotmale Holdings PLC (the Company) will be held at the “Board Room” of the Corporate Office at Level 28, West Tower, World Trade Center , Echelon Square , Colombo 01 to be convened through an “online virtual” platform by using “audio visual” tools on Tuesday, 29 June 2021 at 8.30 a.m. and the business to be brought before the meeting will be:

Read the Notice convening the Meeting

1. To receive, consider and adopt the Annual Report of the Board of Directors and the Financial Statements for the year ended 31 March 2021, 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
 - b) A.D.B Talwatte who was appointed on 18 December 2020 also retires in terms of the Company’s Articles of Association and being eligible offers himself for re-appointment, and
 - c) A. T. P. Edirisinghe
who retire in terms of Section 210 (2) (b) of the Companies Act No. 07 of 2007 having surpassed seventy years of age and offers himself 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 Resolution:
Ordinary Resolution (i)
“Resolved that Priya Edirisinghe, a retiring Director, who has attained the age of seventy five 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 2021/22.
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

The Annual Report and Financial Statements of the Company for the year ended 31st March 2021 are available on the:

- Corporate Website : <http://www.cargillsceylon.com/investors/annual-report/kotmale>
- The Colombo Stock Exchange – <https://www.cse.lk/home/company-info/LAMB.N0000/financial>

The said Annual Report and Financial Statements of Kotmale Holdings PLC for 2020/21 can also be accessed by scanning the following QR code.



For clarification on how to download and/ or access the Annual Report and Financial Statements, please contact Mr. Lakshan on +94 117496403 during normal office hours (8.30 a.m. to 5.00 p.m.)

By Order of the Board
Kotmale Holdings PLC

(Signed)
H S Ellawala
Company Secretary
4 June 2021

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. A Form of Proxy is enclosed for this purpose.
- ii. The Board of Directors, having taken note of the health and safety guidelines issued by the Health Authorities in view of the COVID-19 pandemic and the Colombo Stock Exchange issuing guidelines to the listed entities to hold Shareholder Meetings virtually, has decided to hold the Annual General Meeting (AGM) through an “online virtual” platform by using “audio -visual” tools in conformity with the applicable regulatory provisions.
- iii. Shareholders who wish to participate in the Annual General Meeting through the online platform are kindly requested to complete and forward the “Annexure II – Registration of Shareholder details” attached hereto with e-signature or scan of the signed document to the email address khp.agm@kotmale.lk with the email subject title “KHPAGM 2021” or post it to the registered address mentioned below to be received not less than 48 hours before the date of the meeting. Shareholders are requested to provide their email address legibly in the space provided in “Annexure II” in order to forward the weblink if they wish to participate at the meeting through the online platform.
- iv. The Chairman, certain members of the Board and key essential officials for the administration of formalities to conduct the meeting, will be physically present at the Corporate Office.
- v. Voting on the items listed in the Agenda will be registered by using an online platform and the procedure to be followed when voting will be explained to the shareholders prior to the commencement of the meeting.
- vi. Shareholders who wish to appoint a member of the Directors as his/her proxy to represent them at the AGM may do so by completing the Form of Proxy. In such event the email address of the proxy holder will not be required.
- vii. Shareholders may send their questions/comments on the items listed in the Agenda of the Notice convening the AGM by email to khp.agm@kotmale.lk to be received not less than 48 hours before the meeting.
- viii. The duly completed instrument appointing the proxy should be deposited at the Registered Office of the Company or a scanned copy of the same should be emailed to khp.agm@kotmale.lk to be received not less than 48 hours before the date of the meeting.
- ix. Only registered shareholders and registered proxy holders will be permitted to log-in and participate in the AGM virtually.
- x. The Company intends to proceed to hold the AGM as planned on 29 June 2021 irrespective of whether it is declared a public holiday since the aforesaid measures will enable full participation at the meeting.
- xi. In the event the Company is required to take any further action in relation to the Meeting in the best interests of the shareholders in the context of the COVID-19 pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, notice of such action shall be given by way of additional announcement/s made to the Colombo Stock Exchange.

Form of Proxy

FIFTY FOURTH ANNUAL GENERAL MEETING
 Kotmale Holdings PLC(PQ 213)

*I/We.....bearing NIC
 No..... ofbeing a *member/members
 of Kotmale Holdings PLC (the Company) hereby appoint *Mr/Mrs/Miss.....
 bearing NIC No of
 (email address)
 whom failingof.....
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 fourth Annual General Meeting of the Company to be held at the "Board Room" of Corporate office at Level 28, West tower, World trade center, Echelon Sqaure, Colombo 01 to be convened through an "online virtual" platform by using "audio-visual" tools on Tuesday 29 June 2021 and at any adjournment thereof.

Please mark your preference with "X"

Resolution number	1	2(a)	2(b)	2(c)	3	4
For						
Against						

Signed on this day of 2021
 Signature of member (s)
 NIC/PP/Co.Reg.No.Shareholder/.....

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 or electronic document with e-signature or scan of the signed document emailed to khp.agm@kotmale.lk, with the subject title " KHP-AGM 2021 " 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, address and email 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.

REGISTERED OFFICE

No 40, York Street, Colombo 01.

CONTACT DETAILS

Tel: +94 (0) 11 242 7777

Telefax: +94 (0) 11 233 8704

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)

Priya Edirisinghe

Sunil Mendis

Joseph Page

Asite Talwatte (w. e. f. 18 Dec 2020)

COMPANY SECRETARY

Hemali Sagarika Ellawala

POSTAL ADDRESS

P.O. Box 23, Colombo 1

REGISTRARS

SSP Corporate Services (Pvt) Ltd

No.101, Inner Flower Road, Colombo 03.

Tel: +94 (0) 11 257 3894

AUDIT COMMITTEE

Asite Talwatte (Chairman) - w. e. f. 01 Jan 2021

Priya Edirisinghe (Chairman) – up to 31 Dec 2020

Sunil Mendis

REMUNERATION COMMITTEE

Asite Talwatte (Chairman) - w. e. f. 01 Jan 2021

Sunil Mendis (Chairman) – up to 31 Dec 2020

Priya Edirisinghe

RELATED PARTY TRANSACTION REVIEW COMMITTEE

Asite Talwatte (Chairman) - w. e. f. 01 Jan 2021

Priya Edirisinghe (Chairman) – up to 31 Dec 2020

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.

HNB Bank PLC.

SUBSIDIARY COMPANIES

Kotmale Dairy Products (Pvt) Ltd.

Kotmale Milk Products Ltd.

Kotmale Milk Foods Ltd.

Kotmale Products Ltd.

Concept & Designed by





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