



Milco (Pvt) Ltd

No. 45, Nawala Road, Narahenpita,
Colombo 05.

Annual Report

2020

January - December



Our Vision

“MILCO to be the “Best in Class”
nutritious food and beverage
Company in Sri Lanka”

Our Mission

“To be a proactive partner in achieving the targeted
growth in fresh milk production while strengthening
the local dairy farmer. Modern technology supported
with continuous improvement initiatives to be applied
in the processing of nutritious food and beverage to
provide our valued consumers at affordable prices.”



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CORPORATE INFORMATION

Name of the Company	- Milco (Pvt) Ltd
Legal Status	- A Private Limited Liability Company incorporated in Sri Lanka under the provisions of the Companies Act No 17 of 1982
	and re-registered under the Companies Act No. 07 of 2007
Registered Office	- No. 45, Nawala Road, Narahenpita, Colombo 05. - Tel: 0112586174, 0114500541 - Fax: 0112368082/ 0112577540/0114500555 - Website: www.milco.lk - E-mail: info@milco.lk
Factories	- Colombo Milk Factory (CMF) - Ambewala Spray Dried Milk Factory (SDMF) - Digana Milk Factory (DMF) - Polonnaruwa Condensed Milk Factory (PMF)
Date of Incorporation	- 09 th May 1996
Date of Re-registration	- 19 th May 2008
Company Registration Number	- N (PVS) 17159 (OLD) - PV 2942 (New)
Company Secretaries	- Financial Services & Commercial Agencies (Pvt) Ltd. No. 300/3, Nawala Road, Nawala
Directors	Mr. Lasantha Wickramasinghe - Chairman Mr. W.P.Mendis Abeysekara - Director Mr. U.M.Indika Abeywickrama - Director Mr. Sanjeewa Gunawardena - Director Mr. H.Vijitha Kumara - Director Mr H.Anthonige Amarasena - Director
Auditors	- Internal Audit Manager Mr I A Kariyawasam - External – Government Audit Auditor General's Department
Bankers	- Peoples' Bank - Bank of Ceylon

Mr. Y.G.I. Saman Kumara (Chairman)

Mr. Kumara is currently serving as the Chairman of Milco (Pvt) Ltd. Mr. Kumara Graduated from University of Ruhuna. He also holds Post Graduate Diploma in Community Development from University of Ruhuna, Post Graduate Diploma of Archeology from University of Kalaniya, Master degree specialized in Spatial Planning, Management and Design from University of Moratuwa and a master degree specialized in Science in Real Estate Management and Valuation from University of Sri Jayawardhanapura. He has served as the Vice Chairman of Ceylon Electricity Board, Chairman of Hadabima Authority, Managing Director of Ceylon Fisheries Harbor Cooperation.

Mr. H. M. M. Bandara Herath (Non-executive director)

Mr. Herath has served as the Working Director of Land Reclamation Corporation, Managing Director of Remark Holdings, Managing Director of Doodu International (Pvt) Ltd, Managing Director of National Youth Services Ltd. Further, he has served as a board member of Sugathadasa Stadium and Sri Lanka Foreign Employment Bureau.

Mr. L. H. M. S. Shantha Kumara (Non-executive director)

Mr. Kumara has over 18 years of experience in government service. He has served as the Chief Management Service Officer for Wariyapola Agriculture School and has served for Divisional Secretariat offices of Kotawehera and Bamunakotuwa.

Mr. Arosha Rodrigo (Non-executive director)

Mr. Arosha graduated from University of Warwick, U.K. He is also an associate member of Association of Chartered Accountants of United Kingdom and ICAEW (Institute of Chartered Accountants of England & Wales). Further, he has served as a board member of Paddy Marketing Board, Atomic Energy Board, Ceylon Fishery Harbours Corporation as well as National Food Promotion Board.

Mr. G. S. M. Kelum Gunathilake (Non-executive director)

Mr. Gunathilaka graduated from University of Sri Jayawardhanapura. He has served as a producer to the Independent Television Network (ITN) News and has served as a media secretary to several government ministries.

Mr. W. D. Rohan Crishantha (Non-executive director)

Mr. Crishantha graduated from University of Sri Jayawardhanapura. He also holds a Post Graduate Diploma in Technology from University of Colombo, Post Graduate Diploma in International Economics from Australian National University, Australia and a Master degree specialized in Financial Economics from University of Colombo. Mr. Crishantha is currently serving in Department of External Reforms and serve as the treasury representative board member of Milco (Pvt) Ltd.

Mr. K. Chamin Dinesh (Non-executive director)

Mr. Dinesh holds Higher National Diploma in Engineering (HNDE) in field of Mechanical Engineering. Currently he serves as the Mechanical Engineer of Road Development Authority. He has also served as Transport Manager for Ministry of Ports and Highways and Maganeguma Road Construction and Equipment Company.

Mr. G. A. Aruna Prasanna (Non-executive director)

Mr. Prasanna holds Advanced National Diploma in Governance, Democracy and Public Policy. He has also served as a board member of AMR Distribution (PVT)LTD and as the market manager of IDAPZ (PVT)LTD.

S/N	Tit	NAME	EXISTING DESIGNATION
1	Mr.	M.P.K. Jayaratne	Actg. Deputy General Manager - Operations
2	Mr.	H.M.W. Rajapaksha	Actg. Deputy General Manager- Administration & Finance
3	Mr.	U.G.A.M.A.R.K. Athapaththu	Factory Manager
4	Mr.	G.A.P.J. Udayakumara	Factory Manager
5	Mr.	G.Y.G. Saman	Factory Manager
6	Mr.	R.G.H. Ranasinghe	Actg. Factory Manager
7	Mr.	P.L.K. Lal Cooray	Actg. Manager - DD & MP
8	Mr.	Pradeep Senadeera	Manager - Projects & Engineering
9	Mr.	M.G.P. Premathilaka	Manager - Finance
11	Mrs.	B.K.U.B. Rodrigo	Manager - Legal
12	Mr.	S.M.S. Chandradasa	Actg. Manager - HR & Administration
13	Mr.	W.A.W.P. Perera	Actg. Manager - Marketing & Sales
14	Mr.	I G R S Gunarathna	Actg. Manager - Purchasing
15	Mrs.	M.P.J. Edirisinghe	Actg. Manager - QA, R & D

It is with pleasure I write this message for the 2020 annual report of Milco Private Limited, which is presently operating as the successor company of the National Milk Board.

In 2020, Milco Private Limited, committed to advancing both its own progress and the growth of the local dairy industry, achieved a net profit of Rs. 225 million. Despite travel restrictions imposed during the COVID-19 pandemic, Milco Private Limited managed to sustain its operations and uphold its commitment to purchasing milk from rural dairy farmers. This ensured the stability of their income and enabled the uninterrupted supply of nutritious milk products to consumers.

Additionally, in 2020, Milco Private Limited demonstrated considerable efforts in sustaining dairy development initiatives and ensuring the smooth operation of daily organizational processes without disruptions. The main development projects are as follows:

- Facilities for grass cultivation have been provided to 792 farmers.
- 80 new autonomous dairy farmers' societies have been established.
- 10 farms with a daily milk production capacity of 200 liters each, along with 16 farms with a daily milk production capacity of 100 liters each, have been initiated in various provinces across the island.
- Encouraging farmers to begin milking by selectively herding cows from free-range herds that were previously not milked. 32 farmers have participated in this initiative.
- A total of 294 mobile veterinary clinics have been conducted
- 1,041 officials of the autonomous dairy farming societies have been trained through one-day workshops.
- Nearly 4,022 dairy farmers have been trained in farm management through one-day workshops.
- A new machine called the "Milk Cooler" has been introduced to preserve the collected milk overnight without spoiling until the following day.

Milco Private Limited stands out as a responsible public institution by exclusively sourcing high-quality raw milk and other materials, ensuring the production of top-notch milk products for our valued customers.

It is commendable to prioritize the maintenance of finished product quality by adhering to standard criteria, particularly in the procurement of raw milk.

The supply of raw milk, the primary ingredient in Milco's production process, is increasingly becoming a challenging situation. Hence, to increase the daily milk procurement volume, it has become imperative to implement additional strategic methods alongside the existing ones.

In 2020, I express my heartfelt gratitude to the staff, dairy farmers, distribution and trading partners, as well as our customers, who played pivotal roles in achieving a net profit through Milco's operations.



Janaka Dharmakeerthi
Act. Chairman

The Directors of Milco (Pvt) Ltd have the pleasure of presenting the Report of the Directors and the Audited Financial Statement for the year ended 31st December 2020.

PRINCIPAL ACTIVITY

The principal activities of the Company during the year were collecting fresh milk, processing, packing, distributing, and marketing milk products.

PROPERTY PLANT AND EQUIPMENT

Additions made during the year to the Property, Plant & Equipment of the Company is Rupees 58.1 Mn and further details are shown in note 03 to the financial statements.

BOARD OF DIRECTORS

The following Board of Directors was continued from 01.01.2020

Mr. Lasantha Wickramasinghe – Chairman
Mr Walimunu Prasanna Mendis Abeysekara – Director
Mr. Ushaan Madusha Indika Abeywickrama – Director
Mr. Sanjeewa Gunawardena – Director
Mr. Hemantha Vijitha Kumara – Director
Mr. Hewa Anthonige Amarasena – Director

The following appointments / Resignations to the Board took effect as follows.

Ms. Biyanka Niroshani Gamage - Replaced by Mr. H.V. Kumara with effect from 11.01.2020
Mr. Bimal Priyankara Jayasiri - Replaced by Mr. H.A. Amarasena with effect from 15.01.2020
Mr. Senarath Athula Kumarasiri - Replaced by Mr. U.M.I. Abeywickrama with effect from 15.01.2020
Mr. Kariyawasam Singappuli Thanthrige Yasapala - Replaced by Mr. S. Gunawardena with effect from 31.01.2020
Mr. Deepal Kumar Krishnakumar Vasanji - Replaced by Mr. W.P.M. Abeysekara with effect from 15.01.2020
Mr. Ananda Dissanayake was resigned w.e.f. 10.01.2020

SHARE INFORMATION

The Stated Capital of the Company in number & value throughout the year under review was Rupees 319,454,060.

RESERVES

Cumulative loss brought forward of Rupees 145,248,000/= adjusted for the current year's Loss Rupees 28,787,324/= after tax given in page 1 of Accounts.

Reserves include Capital Reserve of Rupees 25,000,000/= and sinking fund of Rupees 1,689,978/= at the year end.

DIRECTORS' INTEREST IN CONTRACTS

The Directors of the Company were not directly or indirectly involved in any contracts with the Company.

CORPORATE GOVERNANCE

The Board of Directors ensures Good Corporate Governance. It is the duty of the Board of Directors to ensure that the performance is in line with the Company objectives as well as the objectives and expectations of the Stakeholders.

TAXATION

The income tax liability arising from interest income was set off against brought forward tax losses. Company has made operating loss during the year and thereby no tax liability was reported from operating activities.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the Government and to Employees Provident Fund and Employees Trust Fund have been paid accurately and on time.

COMPLIANCE

The Company has not engaged in activities that contravene the laws or regulations that are applicable to Sri Lanka or elsewhere.

GOING CONCERN

The Board of Directors is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. In view of this, we continue to apply the going concern concept in preparing the Accounts of the Company.

APPOINTMENT OF AUDITORS

Auditor General be the Auditor of the Company for the year 2020

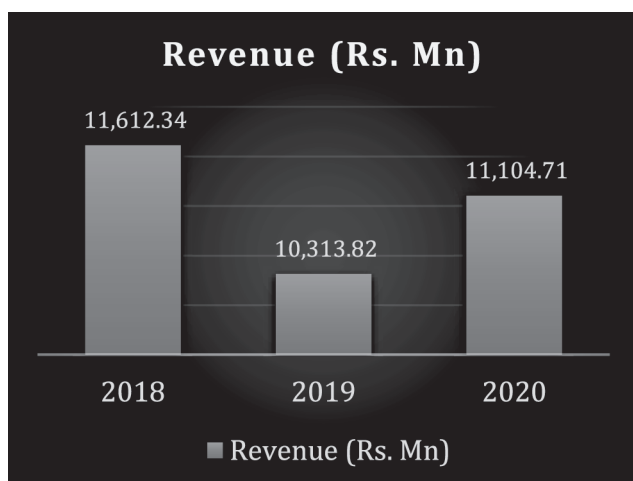
The Auditor General be the Auditor of the Company for the year ended 31.12.2020. As far as the Directors are aware, the Auditors do not have any relationship with the Company that would have an impact on their independence.

FOR AND ON BEHALF OF THE BOARD,

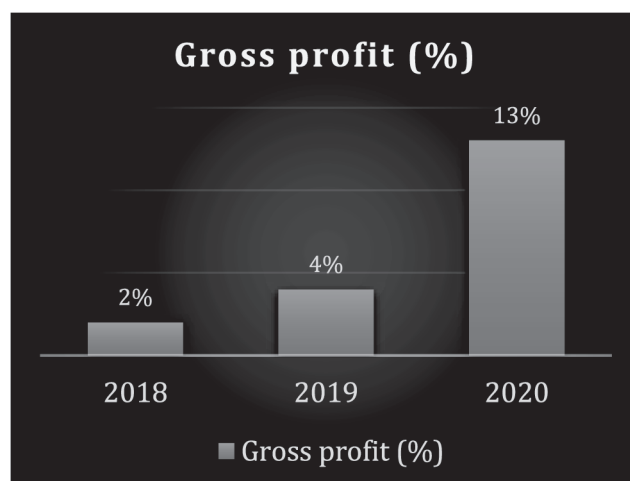


.....
Secretary to the Company

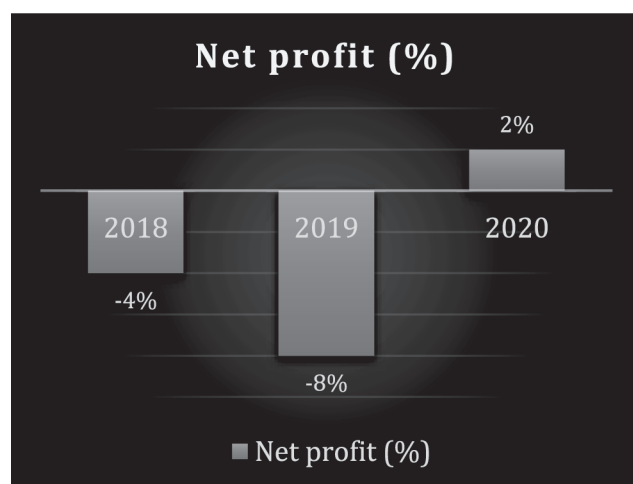
Financial Services & Commercial Agencies (Pvt) Ltd
(RCS2000074) No. 300/3, Nawala Road, Nawala



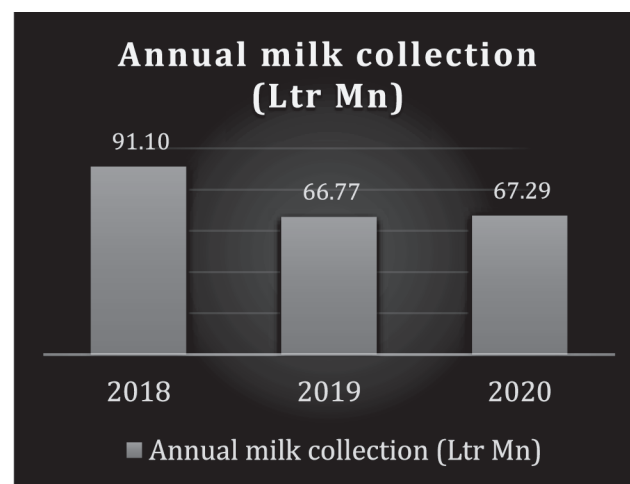
Following the drop of milk collection, revenue was significantly affected in 2019. However, same has started to recover in 2020 with slightly increased milk collection level and product price movements.



The GP ratio was significantly affected in 2018 and 2019, considering the drop of realizable value of milk powder stock. (not in salable condition) As there was no abnormal transaction reported in 2020, GP has recovered to the normal position.

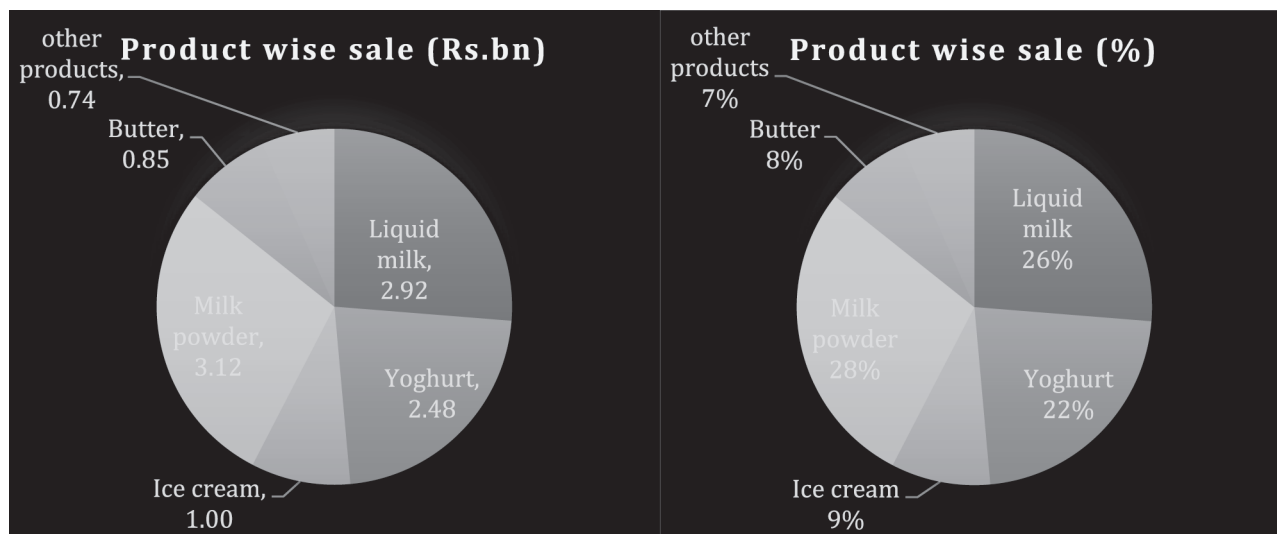


Following the stock valuation adjustment on non-salable milk powder stock, the company had reported net losses during the 2018 and 2019 financial years. Same has recovered in 2020 and company recorded Rs.225.76mn net profit for the period.

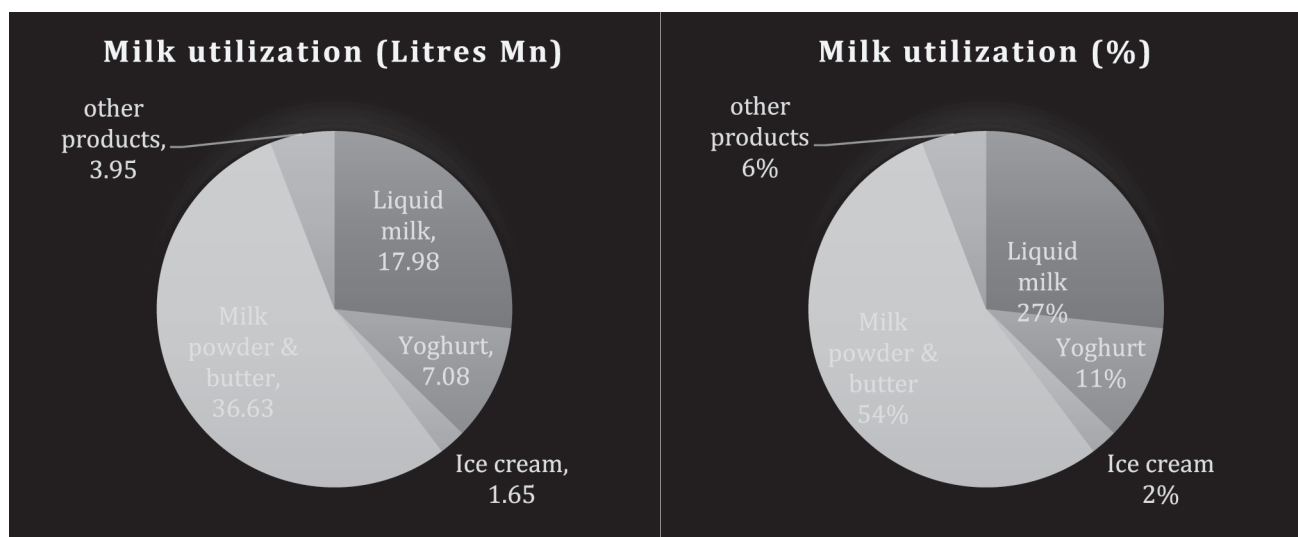


Considering the significantly increased national milk production, company was able to exceed 90mn liter annual collection level in 2017 and 2018. However, since the trend was not continued and due to heavy competition, annual collection level has dropped to 66mn liters in 2019 and same has slightly increased in 2020.

MILCO (PVT) LTD. PERFORMANCE HIGHLIGHTS



During the period under review, Milk powder has reported highest sales value which is Rs.3.12bn and 28% from the total sales. Liquid milk and yoghurt sales have been also shown 26% and 22% contribution to the total sales respectively. Total of this three product has accounted 77% of total sales and rest of the sales are consist with sale of Ice cream verities, Butter, Curd, Ghee, Condensed milk and cheese varieties.



Shown above is an analysis milk utilization for production during the period.

Periodical Board Meetings have been held by the Board of Directors on a once a month basis during the year under review. Corporate plan and the annual budget have been key instruments in ensuring and maintaining financial control and these have been prepared in consultations with all lie managers at the commencement of the financial year and approved by the Board.

Monthly performance report compared with the previous month and the budget has been tabled regularly at the subsequent monthly meetings. This report provides timely information on financial and operational performance with targets and enables the Board of Directors to make effective management decisions in terms of profit and loss of the company.

AUDIT COMMITTEE

Audit committee should be chaired by the Director who represents the Treasury, the committee functioned with another two non executive directors, which operates as a sub-committee of the Board, and served by the internal audit, which has been outsourced to ensure greater sense of independence.

M/s. Ernest & Young Advisory Services (Pvt) Ltd, functioned as Internal Auditors during the year. It had branch offices operating in the factories of Colombo, Ambewela, Polonnaruwa and Digana in addition to the Head Office.

An Audit plan prepared by the internal auditors is submitted for approval of the audit committee at the beginning of the year and internal audit checks and tests are carried out throughout the year in accordance with this plan. Detailed reports on the audit findings are discussed initially with the respective managers and departmental heads for their comments and responses. Based on those comments a summary report is prepared and submitted for audit committee review and follow up action. Audit committee meets once a month.

CORPORATE MANAGEMENT

The Board of Directors ensures that the company maintains proper accounting records to represent with reasonable accuracy the financial position of the company to the shareholders. They also ensure that financial statements are prepared and presented in compliance with the Sri Lanka Accounting Standards and the requirements of the Companies act.

Charter of the committee

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting, and responsibilities of the Committee.

The purpose of the Audit Committee is to:

1. Assist the Board of Directors in fulfilling its overall responsibilities for the financial reporting process.
2. Review the system of internal controls and risk management.
3. Monitor and evaluate the effectiveness of the internal audit function.
4. Review the Company's process for monitoring compliance with laws and regulations.
5. Review the independence and performance of the external auditors.

Composition

The Committee consisted of three Independent Non-Executive Directors namely Mr.Sanjeewa Gunawardena, Mr Ushan Abeywickkrama and the Chairman of the Committee, Mr.S.H.V Kumara. Audit Committee Chairman is the Treasury Representative. The Company Secretary functions as Secretary to the Audit Committee.

The principal activities of the Committee are detailed below.

Meetings

The Audit Committee met one time during the year under review, due to the prevailing COVID-19

pandemic situation. The General Manager, Finance Manager, Audit Representative from Government Audit Department, Audit Manager from Ernst & Young and functional heads of the Strategic Business Units (SBUs) were invited if deemed necessary for audit committee meetings.

Internal Audit and Risk Management

The Internal Audit function of the Company has been outsourced to Messrs. Ernst & Young. Control weaknesses highlighted in the internal audit reports were examined by the committee and follow up action taken by the management on the audit recommendations were also reviewed. The committee reviewed the effectiveness of the internal audit functions and the scope and procedures for internal audit during the ensuing year.

Internal Controls

During its meetings, the Committee reviewed the adequacy and effectiveness of the internal control systems and the Company's approach to its exposure to the business and financial risks. Processes are in place to safeguard the assets of the organization and to ensure that the financial reporting system can be relied upon in the preparation and presentation of financial statements.

A comprehensive Management Report and Accounts are produced at every month end highlighting all the key performance criteria pertaining to the Company's SBUs which is reviewed by the Senior Management on a monthly basis. SBU Boards review performance on a Monthly basis.

Financial Statements

The Committee reviewed the Company Monthly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements, including the Companies Act, No 7 of 2007, prior to issuance. The committee also reviewed the adequacy of disclosure in the published Financial Statements.

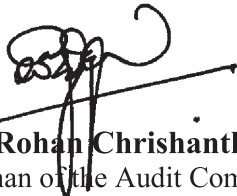
External Auditors

External Auditors of the company is carried out by the Auditor General in terms of the Constitution of the country. The Committee ensured that the external audit is carries out effectively and independently and maintained a continuous rapport with the representatives of the Auditor General in relation to the audit approach and procedure.

The external auditors kept the Audit Committee informed on an on-going basis of all matters of significance. The Committee met with the Auditors and discussed issues arising from the audit and corrective action taken when necessary.

Conclusion

The Audit Committee is satisfied that the control environment prevailing in the organization provides reasonable assurance regarding the reliability of the financial reporting of the Company, the assets are safeguarded and that the Listing Rules of the Milco (Pvt) Ltd have been complied with.

A handwritten signature in black ink, appearing to read "W.D. Rohan Chrishantha".

W.D. Rohan Chrishantha
Chairman of the Audit Committee
29 April 2024

MILCO (PVT) LTD.

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2020

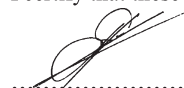


		As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
ASSETS	Note		
Non-Current Assets			
Property, Plant and Equipment	2	5,630,047,816	6,065,801,089
Right-of-Use Assets	3	48,315,935	-
Capital Work-In-Progress	4	12,536,392,498	12,588,158,537
Financial Instrument - Amortised cost	5	811,519,828	787,696,142
Long-term Advances	6	139,152,682	139,152,682
Total Non-Current Assets		19,165,428,759	19,580,808,449
Current Assets			
Inventories	7	1,132,938,074	1,093,130,830
Trade and Other Receivables	8	1,075,106,153	1,191,235,517
Income Tax Receivable	9	121,164,639	212,514,712
Cash and Cash Equivalents	10	17,228,129	12,814,551
Total Current Assets		2,346,436,994	2,509,695,611
Total Assets		21,511,865,754	22,090,504,060
EQUITY AND LIABILITIES			
Stated Capital and Reserves			
Stated Capital	11	319,454,060	319,454,060
Capital Reserve	12	25,000,000	25,000,000
Revaluation Reserve		336,454,463	336,454,463
Sinking Fund	13	1,689,978	1,689,978
Retained Earnings		(28,787,324)	(145,248,000)
Shareholders' Fund		653,811,177	537,350,500
Non-Current Liabilities			
Deferred Tax Liability	14	-	-
Non-interest Bearing Borrowings	15	2,108,063	2,108,063
Interest Bearing Borrowings - Long-Term	15	18,449,096,221	18,572,055,438
Retirement Benefit Obligations - Gratuity	16	841,552,796	651,565,041
Deferred Income - Government Grant	17	20,081,884	29,079,994
Total Non-Current Liabilities		19,312,838,963	19,254,808,536
Current Liabilities			
Trade and Other Payables	18	775,475,909	762,087,282
Interest Bearing Borrowings - Short Term	15	96,110,896	135,419,841
Bank Overdrafts	19	673,628,809	1,400,837,901
Total Current Liabilities		1,545,215,614	2,298,345,024
Total Equity and Liabilities		21,511,865,754	22,090,504,060

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 35 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.



M. G. P. Premathilaka
 Manager- Finance

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

Approved and Signed for and on behalf of the Board on 27.07.2023



Renuka Perera
 Chairman



W. D. Rohan Chrisantha
 Director

MILCO (PVT) LTD.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2020

		For the Year Ended 31 st December, 2020	For the Year Ended 31 st December, 2019
	Note	Rs.	Rs.
Revenue	20	11,104,710,548	10,313,820,273
Cost of Sales		<u>(9,703,560,044)</u>	<u>(9,917,539,530)</u>
Gross Profit		1,401,150,505	396,280,743
Other Operating Income	21	<u>33,475,777</u>	<u>29,709,723</u>
		1,434,626,282	425,990,466
Administrative Expenses		(798,515,146)	(688,427,005)
Distribution Expenses		(336,890,593)	(399,206,715)
Other Expenses		<u>(6,696,851)</u>	<u>(55,158,791)</u>
Profit/ (Loss) from Operations		292,523,692	(716,802,045)
Finance Income	22	52,972,581	49,926,845
Finance Expenses	23	<u>(119,739,982)</u>	<u>(195,839,348)</u>
Net Profit/(Loss) Before Taxation		225,756,290	(862,714,548)
Income Tax Expenses	24	-	-
Net Profit/(Loss) for the Year after Taxation		<u>225,756,290</u>	<u>(862,714,548)</u>
Other Comprehensive Income			
Item that will not be reclassified subsequently to profit or loss:			
Remessurement of Defined Benefit Plan, Net of Taxes		<u>(109,295,614)</u>	<u>(67,714,812)</u>
Total Other Comprehensive Income Net of Tax		(109,295,614)	(67,714,812)
Total Comprehensive Income		<u>116,460,676</u>	<u>(930,429,360)</u>
Basic Earning/(Loss) Per Share	25	3.65	(27.01)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 35 form an integral part of these Financial Statements.

MILCO (PVT) LTD.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2020



	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Sinking Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st December 2018	319,454,060	25,000,000	336,454,463	1,689,978	785,181,360	1,467,779,860
Net Profit for the Year	-	-	-	-	(862,714,548)	(862,714,548)
Other Comprehensive Income	-	-	-	-	(67,714,812.00)	(67,714,812)
Balance as at 31st December 2019	319,454,060	25,000,000	336,454,463	1,689,978	(145,248,000)	537,350,500
Net Profit for the Year	-	-	-	-	225,756,290	225,756,290
Other Comprehensive Income	-	-	-	-	(109,295,614)	(109,295,614)
Balance as at 31st December 2020	319,454,060	25,000,000	336,454,463	1,689,978	(28,787,324)	653,811,176

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 35 form an integral part of these Financial Statements.



MILCO (PVT) LTD.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2020

	As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
Cash Flow from Operating Activities		
Net Profit/(Loss) Before Taxation	225,756,290	(862,714,548)
Adjustments for ;		
Depreciation on Property, Plant and Equipment	521,879,592	527,623,340
Income from Investment	(52,972,581)	(49,926,845)
Interest Expense	115,771,068	190,620,525
Lease Interest	3,968,828	5,225,511
Recognized Income on Deferred Grants	(8,998,110)	(12,632,398)
Exchange Gain	(14,127,003)	2,566,588
Provision for Defined Benefit Plans - Gratuity	116,410,264	98,254,612
Disposal Gain	(28,367)	(566,035)
ESC Weitten off	91,350,074	15,364,873
Capital work-in progress written off	-	741,099
Amortisation of right-of-use assets	13,321,663	-
Operating Profit Before Working Capital Changes	1,012,331,717	(85,443,279)
(Increase)/Decrease in Inventories	(39,807,244)	412,603,520
(Increase)/Decrease in Trade and Other Receivables	108,094,364	95,115,502
Increase/(Decrease) in Trade and Other Payables	13,388,626	(73,730,889)
Cash Generated from Operations	1,094,007,463	348,544,854
Interest Paid	(115,771,068)	(190,620,525)
Tax Paid - ESC and Income Tax	-	(52,893,933)
Payment of Defined Benefit Plans - Gratuity	(35,718,123)	(41,712,485)
Net Cash From/ (Used In) Operating Activities	942,518,272	63,317,912
Cash Flow from Investing Activities		
Acquisition of Property, Plant and Equipment	(58,157,140)	(87,503,835)
Investments in Property, Plant and Equipment in the Course of Construction	(29,828,724)	(516,304,352)
Proceeds from disposal of Assets	51,352.70	665,582
Interest Received	52,972,581	49,926,845
New/ (Withdrawal) Short-Term and Long-Term Investment (Net)	(9,696,683)	(20,999,289)
Net Cash Used In Investing Activities	(44,658,613)	(574,215,049)
Cash Flow from Financing Activities		
Lease Rental Paid	(23,426,318)	(30,448,356)
During the Year Loan Granted	-	509,141,829
Loans and Borrowings Repayments	(142,810,673)	(122,936,197)
Net Cash Used In Financing Activities	(166,236,991)	355,757,276
Net Increase in Cash and Cash Equivalents	731,622,668	(155,139,861)
Cash and Cash Equivalents at the Beginning of the Year (Note A)	(1,388,023,349)	(1,232,883,488)
Cash and Cash Equivalents at the End of the Year (Note B)	(656,400,681)	(1,388,023,349)

MILCO (PVT) LTD.
CASH FLOW STATEMENT (CONTD...)
FOR THE YEAR ENDED 31ST DECEMBER, 2020



	As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
At the Beginning of the Year		
Balances at Banks	7,989,149	13,963,657
Petty Cash in Hand	4,825,402	5,305,601
	<u>12,814,551</u>	<u>19,269,258</u>
Bank Overdrafts	(1,400,837,901)	(1,252,152,747)
At the End of the Year		
Balances at Banks	12,456,380	7,989,149
Petty Cash in Hand	4,771,749	4,825,402
	<u>17,228,129</u>	<u>12,814,551</u>
Bank Overdrafts	<u>(673,628,809)</u>	<u>(1,400,837,901)</u>
	<u><u>(656,400,681)</u></u>	<u><u>(1,388,023,350)</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 35 form an integral part of these Financial Statements.

1.1. CORPORATE INFORMATION

1.1.1 Legal and Domiciled Form

Milco (Private) Limited (The Company) is a limited liability company incorporated and domiciled in Sri Lanka.

The company was incorporated on 09th May, 1996 under the name ‘Kiriya Milk Industries of Lanka (Private) Limited’. The name of the company was changed as ‘Milco (Private) Limited’ with effect from 23rd July 2001. As per the agreement entered into between the Government of Sri Lanka (GOSL) and the National Dairy Development Board of India (NDDB), all property, plant and equipment (other than land) owned and used by Milk Industries of Lanka Company Limited as at 03rd February, 1998 and leasehold rights of the land and buildings used by Milk Industries of Lanka (Private) Company Limited as at the same date were transferred to the Company with effect from 04th February, 1998. The value of Net Assets so transferred was Rs.306,500,020/-. Further, as per the letter dated 08th August, 2000 from Public Enterprises Reform Commission of Sri Lanka, annual lease rentals of leasehold land and buildings amounting to Rs. 20,427,900/- was waived off as per a cabinet decision.

The registered office of the company is located at No. 45, Nawala Road, Colombo 05 and the principal place of business is also at the same place. Major factories of the company are situated at Narahenpita, Ambewela, Digana, Polonnaruwa and construction of Badalgama factory was in progress as of 31st December 2020.

1.1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the company were collecting, processing, packing, distributing and dealing in milk related products.

1.1.3 Date of Authorization to Issue

The financial statements for the year ended 31st December, 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 27.07.2023

1.1.4 Responsibility for Financial Statements

The board of directors are responsible for the preparation and presentation of these financial statements

1.2. Summary of Significant Accounting Policies

1.2.1 General Accounting Policies

1.2.1.1 Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka

1.2.1.2 Basis of Measurement

The financial statements have been prepared under the historical cost convention basis with the exception of certain assets and liabilities at fair value or any other basis, as it may require or prescribe by specific SLFRS / LKAS.

1.2.1.3 Functional and Presentation Currency

Items included in the financial statements are measured using the currency of primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sri Lanka Rupees, which is the company’s functional and presentation currency.

1.2.1.4 Statement of Compliance

The statement of financial position, statement of comprehensive income, changes in equity and cash flows, together with accounting policies and notes (“financial statements”) of the company as at 31st December, 2020 are prepared in compliance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka.

1.2.1.5 Going Concern

The Directors of the company have made an assessment of the company’s ability to continue as a going concern and are satisfied that the company has the resources to continue in business for a foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company’s ability to continue as a going concern. Therefore, the financial statements are continued to be prepared on the going concern basis.

1.2.1.6 Comparative Information

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

1.2.1.7 Foreign Currency Transaction

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rates of exchange prevailing at the time the transactions were effected.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupee equivalents using year end spot foreign exchange rates, the resulting gains or losses are accounted in the statement of comprehensive income.

Non-monetary assets and liabilities are translated using the exchange rates that existed when the values were determined. The resulting gain or loss is accounted in the statement of comprehensive income.

1.2.1.8 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.2.1.9 Critical Accounting Estimates and Judgements

a) Judgements

In the process of applying the accounting policies, the management has made the judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

b) Estimates and Assumptions

The preparation of the company’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at reporting date.

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of financial position, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year, have been considered.

1.3 Assets and Bases of their Valuation

1.3.1 Property, Plant and Equipment

a) Measurement

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued.

Property, plant and equipment are stated at cost, excluding the cost of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

When a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in profit or loss as incurred.

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

b) Useful Lives of Property, Plant and Equipment

The company reviews the assets' residual values, useful lives and methods of depreciation at each reporting date; judgement made by the management based on the professional experts is exercised in the estimation of these values, rates and methods.

c) Depreciation

Depreciation is recognized 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.

Assets held under finance lease are amortized over the shorter of the lease term or the useful lives of equivalent owned assets.

The economic useful lives are as follows:

Buildings	20 to 25 years
Plant and Machinery	04 to 30 years
Furniture and Fittings	05 years
Laboratory Equipment	05 years
Motor Vehicles	04 years
Tools and Equipment	05 years
Office Equipment	05 years
Bottles and Crates	04 years
Computers	04 years
Bottle Coolers	04 years
Software	03 years
Milk Cans	05 years

Depreciation of assets begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

d) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

e) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

f) De- Recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount and is recognized in the statement of comprehensive income.

1.3.2 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss and Other Comprehensive Income in the expense category consistent with the function of the intangible asset.

1.3.3 Right-of-use assets recognised under SLFRS 16

a) Right-of-use assets

The company recognises right-of-use assets when the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

Any excess of sales proceeds over the carrying amount of assets in respect of a sale and leaseback transaction that results in a finance lease is deferred and amortised over the lease term

b) Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low value assets recognition exemption lease payment on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

1.3.4 Impairment of Non-Financial Assets

The company assesses at each reporting date to ascertain whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or a group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the asset.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to verify as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation had, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

1.3.5 Capital Work-in-Progress

Capital work-in-progress is transferred to the respective asset accounts at the time of the first utilization of the asset.

1.3.6 Financial Assets

The company classifies its financial assets in the following categories: Financial Assets at fair value through profit or loss, Loans and receivables, financial assets available for sale and Held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

1.3.6.1 Initial Recognition and Measurement

The company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The company's financial assets include cash, investments in fixed deposits and trade and other receivables.

1.3.6.2 Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or re-purchasing in the near term.

(b) Loans and Receivables

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

(c) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

(d) Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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

Unrealized gains and losses are recognized directly in equity (Other comprehensive income) in the 'Available for sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of comprehensive income in 'Other operating income'. Where the company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available for sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available for sale financial investments are recognized in the statement of comprehensive income as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the statement of comprehensive income in 'Impairment losses on financial investments' and removed from the 'Available for sale reserve'.

(e) Available-for-Sale Financial Investments

The company evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the company may elect to re-classify these financial assets in rare circumstances. Re-classification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the company has the intent and ability to hold these assets into a foreseeable future or until maturity. Re-classification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial assets accordingly.

For a financial asset to be re-classified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is re-classified to the statement of comprehensive income.

1.3.6.3 De-Recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognized when:

- (a)** The rights to receive cash flows from the asset have expired
- (b)** The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

The company has transferred substantially all the risks and rewards of the asset, or the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the company's continuing involvement in it.

In that case, the company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

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

1.3.6.4 Impairment of Financial Assets

The company assesses at each reporting date to ascertain whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter

bankruptcy or other financial reorganizations where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost

For financial assets carried at amortized cost, the company first assesses to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realized or has been transferred to the company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Available-for-Sale Financial Assets

For available-for-sale financial assets, the company assesses at each reporting date to verify whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income - is removed from other comprehensive income and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income; increases in their fair value after impairments are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

1.3.7 Financial Liabilities

The company classifies its financial liabilities as financial liabilities at fair value through profit or loss or other financial liabilities, as appropriate. At the reporting date there were no financial liabilities at fair value through profit or loss.

1.3.7.1 Initial Recognition and Measurement

All financial liabilities are recognized initially at fair value. This includes directly attributable transaction costs. The company's financial liabilities include loans and borrowings, trade and other payables and bank overdrafts.

1.3.7.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

(b) Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are de-recognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

1.3.7.3 De-Recognition

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

1.3.7.4 Off-setting of Financial Instruments

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

1.3.8 Inventories

Inventories are measured at the lower of cost and net realizable value, after making due allowances for obsolete and slow-moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

- Raw Material - At cost determined on Weighted Average Basis,
- Finished Goods - At the cost of direct materials, direct labour and appropriate proportion of fixed production overheads at normal operating capacity,
- Work-In-Progress - At the cost of input materials,
- Packing Material - At cost determined on Weighted Average Basis,
- Other Stocks - At cost determined on Weighted Average Basis,
- Goods In Transit - At actual cost.

1.3.9 Trade and Other Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Other receivables are recognized at the amounts they are estimated to realize net of provisions for impairment. The amount of the provision is recognized in the statement of comprehensive income. However, staff loans have not been measured at amortized cost due to unavoidable reasons of the company.

1.3.10 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held as call deposits with banks, other short-term highly liquid investments with original maturities of three months. Bank overdrafts are shown within current liabilities in the statement of financial position.

1.3.11 Stated Capital

(a) Classification

Ordinary shares with discretionary dividends are classified as equity when there is no obligation to transfer cash or other assets.

(b) Dividends

Dividends are recognized when the shareholders' right to receive the dividend is established. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

1.3.12 Current and Deferred Income Tax

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the Commissioner General of Inland Revenue.

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 provision of the Inland Revenue Act No. 10 of 2006.

b) Deferred Taxation

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

Deferred tax assets and liabilities recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are re-assessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Income tax relating to items recognized directly in equity is recognized in equity.

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

1.3.13 Employee Benefits

(a) Defined Benefit Plans – Gratuity

Provision has been made for retirement gratuities, in conformity with LKAS 19 / Gratuity Act No.12 of 1983. The liability is not externally funded. The gratuity liabilities are based on actuarial valuation carried out. The actuarial gains and losses are charged or credited to the statement of other comprehensive income in the period in which they arise.

The retirement benefit obligation of the company is based on the actuarial valuation carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates contain in note no 16. The main assumptions used relate to mortality, disability rates and withdrawal rates. The assumptions regarding the discount rate and salary rate are of critical importance in determining the pace of providing for a final salary retirement scheme.

(b) Defined Contribution Plans – Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The company contributes 12% and 3% of the gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

1.3.14 Grants and Subsidies

Grants and subsidies are credited to the statement of comprehensive income over the period necessary to match them with related cost, which are intended to compensate on a systematic basis.

Grants related to assets, including non-monetary grants at fair value, are deferred in the statement of financial position and credited to the statement of comprehensive income over the useful life of the related asset.

Grants related to income are recognized in the statement of comprehensive income in the period in which they are receivable.

1.3.15 Trade and Other Payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business. These are classified as current liabilities where payment is due within one year or less if not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Short-term payables with no stated interest rate are measured at original invoiced amount since the effect of discounting is immaterial.

1.3.16 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement are determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.3.17 Commitments

All material commitments as at the reporting date have been identified and disclosed in the notes to the financial statements.

1.3.18 Related Party Transactions

Disclosure is made in respect of the transaction 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 charged. Relationship between parent and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties.

1.3.19 Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflect consideration to which the Company expects to be entitled in exchange for those goods or services.

(a) Goods transferred at a point of time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point of time when the control of the asset is transferred to the customer, generally, on delivery of the goods.

(b) Service transferred over time

Under SLFRS 15, the company determines, at the contract inception, whether it satisfies the performance obligation over time or at a point of time. For each performance obligation satisfied over time, the company recognises the revenue over time by measuring the progress towards the complete satisfaction of that performance obligation.

(c) Interest Income

Interest income is recognized using the effective interest method.

(d) Dividend Income

Dividend income is recognized when the right to receive payment is established.

(e) Other Income

Other income is recognized on accrual basis.

1.3.20 Expenditure

The expenditures are recognized on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant and equipment in a state of efficiency are charged against income in arriving at the profit for the year.

For the purpose of presentation of the statement of comprehensive income information, expense by function method is used to classify the expenses.

MILCO (PVT) LTD.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST DECEMBER, 2020



2. PROPERTY, PLANT AND EQUIPMENT

a) Tangible assets

Description of Assets	Cost/Valuation			Depreciation			Written Down Value		
	Balance As At 01.01.2020	Additions	Disposals	Transfers	Balance As At 31.12.2020	Charge for the Year	On Disposals	Transfers	Balance As At 31.12.2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	3,250,000	-	-	-	3,250,000	-	-	-	3,250,000
Buildings	510,221,172	-	-	10,252,200	520,473,372	42,752,227	-	-	338,723,413
Plant and Machinery	7,433,197,173	21,743,572	-	71,342,562	7,526,283,307	399,987,611	-	-	5,197,540,409
Furniture and Fittings	50,682,206	2,293,565	-	-	52,975,771	3,418,067	-	-	8,817,806
Laboratory Equipment	82,516,268	2,627,546	-	-	85,143,815	7,928,980	-	-	16,609,354
Motor Vehicles	142,852,408	-	-	8,290,000	151,142,408	6,107,960	-	-	(8,451,259)
Tools and Equipment	333,746,966	15,757,447	-	-	349,504,412	27,366,284	-	-	51,700,094
Bottles and Crates	355,310,326	12,297,091	(547,193)	-	367,060,224	17,787,422	(547,193)	-	26,395,940
Computer Equipment	52,503,731	2,799,337	-	-	55,303,068	6,459,659	-	-	10,644,175
Bottle Coolers	152,100,544	-	-	-	152,100,544	3,470,647	-	-	5,996,596
Office Equipment	10,197,986	629,583	(51,555)	-	10,776,014	929,827	(28,569)	-	1,887,387
Milk Cans	80,178,849	9,000	-	-	80,187,849	5,587,346	-	-	9,396,486
Total	9,206,757,629	58,157,140	(598,748)	89,884,762	9,354,200,784	521,796,030	(575,762)	8,290,000	6,012,077,486
Intangible Assets									
Computer Software	2,837,209	-	-	-	2,837,209	83,562	-	-	121,005
Leasehold Assets									
Motor Vehicles	73,442,966	-	-	-	73,442,966	-	-	-	53,602,597
Total	9,283,037,804	58,157,140	(598,748)	89,884,762	9,357,037,993	521,879,592	(575,762)	8,290,000	6,065,801,089

2.1 Assets shown under finance leases have been reclassified under right-of-use assets from 31.12.2020, in compliance with the provisions of SLFRS-16.

3. RIGHT-OF-USE ASSETS

Description of Assets	Value			Amortisation			Net value		
	Balance As At 01.01.2020	Additions	Disposals	Transfers	Balance As At 31.12.2020	Charge for the Year	On Disposals	Transfers	Balance As At 31.12.2020
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Motor Vehicles	73,442,966	8,035,000	-	(8,290,000)	73,187,966	13,321,663	-	(8,290,000)	24,872,032
Total	73,442,966	8,035,000	-	(8,290,000)	73,187,966	13,321,663	-	(8,290,000)	48,315,935

3.1 Following amounts related to right-of-use assets have been recognised in income statement during the year.
Amortization of right of use assets 13,321,663
Interest on lease liabilities 3,968,828

4. CAPITAL WORK-IN-PROGRESS

	Balance As At 01.01.2020 Rs.	Incurred During the Period Rs.	Capitalized/ Charged During the Period Rs.	Balance As At 31.12.2020 Rs.
Construction of New Milk Factory - Badalgama (Refer Note 15) *	11,671,726,295	565,227	-	11,672,291,523
Construction of Gatabe Sales Outlet	150,000	-	-	150,000
Installation of Cup & Cone Filler at Digana Milk Factory	15,445,587	-	-	15,445,587
Modernization of Factories- Polonnaruwa, Ambewela and Digana (Refer Note 15) *	790,264,562	-	-	790,264,562
Development Projects at Ambewela Milk Factory	71,342,562	-	(71,342,562)	-
Construction of Cool Room at Polonnaruwa Milk Factory	-	-	-	-
Pro- Fit Management Information System Implementation	4,179,530	-	-	4,179,530
Construction of Chilling Centre- Palathoppur	-	-	-	-
Lorry Chasis Under Development	17,714,550	-	-	17,714,550
Construction of Chilling Centre- Lunugala	57,500	192,980	-	250,480
Construction of building at Ambewela Milk Factory	7,055,125	3,197,074	(10,252,200)	-
Construction of office building at Digana Milk Factory	10,222,824	9,412,319	-	19,635,143
Construction of cold room at Digana Milk Factory	-	16,169,330	-	16,169,330
Construction of Chilling Centre- Mundalama	-	291,793	-	291,793
	<u>12,588,158,537</u>	<u>29,828,724</u>	<u>(81,594,762)</u>	<u>12,536,392,498</u>

4.1 As detailed in note no 15 to these financial statements, modernization of the above factories and construction of New Milk Factory - Badalgama have been financed by loans granted by the Treasury of the Government of Sri Lanka.

	As at 31 st December, 2020 Rs.	As at 31 st December, 2019 Rs.
5 FINANCIAL INSTRUMENT - AMORTISED COST		
5.1 Long-Term Fixed Deposits		
Fixed Deposits - BOC - US \$	606,519,828	578,599,135
Fixed Deposits - PB & PABC	205,000,000	209,097,006
	<u>811,519,828</u>	<u>787,696,142</u>

Investments pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in note no. 30 to these financial statements.

6 LONG TERM ADVANCES

Advance to DESMI - Relocate CMF to Badalgama

Balance at the beginning of the year	139,152,682	356,287,245
Transferred to Capital Work in Progress	-	(217,134,563)
Balance at the end of the year	<u>139,152,682</u>	<u>139,152,682</u>

As detailed in note no 15 to these financial statements, establishment of a dairy processing plant at Badalgama has been financed by a loan granted by the Treasury of the Government of Sri Lanka. On 22/10/2015, Treasury of Government of Sri Lanka made advance payment of an amount equivalent to EURO 19,180,692 (30% of the contract value)

7 INVENTORIES

Raw and Packing Materials	7.1	311,566,260	321,342,530
Work-in-Progress		8,616,684	5,895,808
Finished Goods		230,501,369	218,770,084
Consumables	7.2	585,225,407	548,245,734
Goods in Transit	7.3	9,124,716	10,973,035
Provision for Inventory	7.4	(12,096,362)	(12,096,362)
		<u>1,132,938,074</u>	<u>1,093,130,830</u>

7.1 Raw and Packing Materials

Raw Materials - Dairy Production	65,456,573	70,799,062
Packing Material	224,256,409	230,784,760
Raw Milk Stock	14,816,775	12,722,205
Bottle Cooler Stock	3,496,313	3,496,313
Drugs and Other Stock	3,540,190	3,540,190
	<u>311,566,260</u>	<u>321,342,530</u>

		As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
7.2 Consumables			
General Stores		45,659,458	53,108,135
Engineering Stores		487,268,325	443,052,222
Motor Stores		12,304,752	13,159,699
Fuel and Lubricant Stores		30,964,002	29,896,808
Milk Can Stock		9,028,871	9,028,871
		<u>585,225,407</u>	<u>548,245,734</u>
7.3 Goods In Transit			
Finished Goods in Transit		7,984,541.78	5,151,487
Goods in Transit Lab Equipment		125,798	125,798
Raw Milk In Transit		537,476	4,827,551
Yogurt Culture		476,900	868,200
		<u>9,124,716</u>	<u>10,973,035</u>
7.4 Provision For Inventory			
Packing Material		(10,163,806)	(10,163,806)
General Stores		(332,731)	(332,731)
Engineering Stores		(1,523,655)	(1,523,655)
Fuel Stores		(76,170)	(76,170)
		<u>(12,096,362)</u>	<u>(12,096,362)</u>
7.5	Inventories pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in Note No. 30 to these financial statements.		
8 TRADE AND OTHER RECEIVABLES			
Trade Receivables	8.1	668,205,047	755,350,643
Receivable from the Government of Sri Lanka	8.2	9,373,875	6,973,875
Other Debtors		46,400,866	48,852,088
Advances, Deposits and Prepayments		146,537,518	159,647,848
Staff Debtors		164,864,339	161,476,069
Import Control		19,839,349	58,934,995
Interest receivables on fixed deposits		19,885,159	-
		<u>1,075,106,153</u>	<u>1,191,235,517</u>

MILCO (PVT) LTD.
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2020



	As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
8.1 Trade Receivables		
Total Debtors	719,118,672	806,264,268
Less: Provision for Impairment	(50,913,625)	(50,913,625)
	<u>668,205,047</u>	<u>755,350,643</u>
8.2 Receivable from the Government of Sri Lanka		
Receivable from the Ministry of Livestock and Development	9,279,542	6,879,542
Receivable from Government of Sri Lanka - Milk Subsidiary	278,981,206	278,981,206
Receivable from Parliament Affairs	94,333	94,333
	288,355,081	285,955,081
Less: Provision for Impairment	(278,981,206)	(278,981,206)
	<u>9,373,875</u>	<u>6,973,875</u>
9 INCOME TAX RECEIVABLE		
WHT Receivables	9,038,230	9,038,230
ESC Receivables	112,126,408	203,476,482
	<u>121,164,639</u>	<u>212,514,712</u>
10 CASH AND CASH EQUIVALENTS		
Balances at Banks	12,456,380	7,989,149
Petty Cash in Hand	4,771,749	4,825,402
	<u>17,228,129</u>	<u>12,814,551</u>
11 STATED CAPITAL		
Issued and fully paid	No of Shares 31,945,406	319,454,060
	<u>319,454,060</u>	<u>319,454,060</u>
12 CAPITAL RESERVE		
Acquisition and Upgrading of Plant and Machinery	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>

The above Reserve is created from the Revenue Reserve during the year of 2008/2009 which would be utilized for acquisition of heavy plant and machinery such as power plant, sterilizer etc.

		As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
13 SINKING FUND			
Transferred from Retained Earnings		1,689,978	1,689,978
		<u>1,689,978</u>	<u>1,689,978</u>
The Sinking Fund created from the proceeds of the cans sold to the farmers. The said fund will be utilized to meet the financial requirement of purchases intended to issue on recovery basis to farmers in the future.			
14 DEFERRED TAX LIABILITY			
At the Beginning of the Year		-	-
Charge (to)/from Statement of Comprehensive Income		-	-
At the End of the Year		<u>-</u>	<u>-</u>
14.1	Tax effect on taxable temporary differences	890,599,613	784,548,101
	Tax effect on deductible temporary differences	(162,821,301)	(91,219,106)
Less:	Tax effect on Temporary Differences on Tax Losses	(1,046,468,637)	(949,598,697)
	Probable Deferred Tax Liability	<u>(318,690,324)</u>	<u>(256,269,701)</u>
Deferred tax assets amounting to LKR 318,690,324 have not been recognised in the financial statements as there are no sufficient taxable temporary differences or convincing evidence that sufficient taxable profits will be available against which the unrecognised deferred tax assets can be utilised by the Company.			
15 LOANS AND BORROWINGS			
15.1 Interest Bearing Borrowings			
Payable within One Year	15.1.1 to 15.1.4	96,110,896	135,419,841
Payable after One Year	15.1.1 to 15.1.4	18,449,096,221	18,572,055,438
		<u>18,545,207,117</u>	<u>18,707,475,279</u>
15.1.1 Short term loans			
Short term loans taken from Pan Asia Bank		-	15,727,311
		<u>-</u>	<u>15,727,311</u>
15.1.2 Gross Lease Creditor			
Balance at the Beginning of the Year		45,373,000	48,772,108
During the Year Additions		-	27,049,248
During the Year Payments		(23,426,318)	(30,448,356)
Balance at the end of the Year		<u>21,946,682</u>	<u>45,373,000</u>
Interest in Suspense			
Balance at the Beginning of the Year		6,871,776	5,860,539
On Lease Facility Obtained During the Year		-	6,236,748
Amount Transferred to Statement of Comprehensive Income		(3,968,828)	(5,225,511)
Balance at the End of the Year		<u>2,902,948</u>	<u>6,871,776</u>
Net Liability		<u>19,043,734</u>	<u>38,501,224</u>
Current Maturity Portion		9,444,408	19,454,480
Long-Term Maturity Portion		9,599,326	19,046,744
		<u>19,043,734</u>	<u>38,501,224</u>

	As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
15.1.3 Bank Loans and Borrowings		
Balance at the Beginning of the Year	238,749,870	361,686,067
Received During the Year	-	-
Less: During the Year Payments	(127,083,362)	(122,936,197)
Balance at the End of the Year	111,666,508	238,749,870
Current Maturity Portion	86,666,488	100,238,050
Long-Term Maturity Portion	25,000,020	138,511,820
	<u>111,666,508</u>	<u>238,749,870</u>

Assets pledged as collaterals to above loans and borrowings are disclosed in note no. 30 to these financial statements.

15.1.4 Borrowings From Treasury of The Government of Sri Lanka

Balance at the Beginning of the Year	18,414,496,875	17,921,082,356
Granted During the Year	-	493,414,518
Balance at the End of the Year	18,414,496,875	18,414,496,875
Current Maturity Portion	-	-
Long-Term Maturity Portion	18,414,496,875	18,414,496,875
	<u>18,414,496,875</u>	<u>18,414,496,875</u>

- (a) Milco (Pvt) Limited, on 31st December 2009, entered into an agreement with Desmi Contracting A/S, a company incorporated in Denmark, for the modernization of processing factories (The Project) of the company at a cost of Euro 33.7mn.

Cabinet paper No.12/1141/504/104 (Revision of original cabinet decision dated 23rd November 2011) presented by the Minister of Finance and Planning on “Modernization of processing Factories of Milco (Private) Limited” had been approved by the Cabinet on 18th August 2012 and accordingly, it was authorized to the Department of External Resources to Borrow Euro 33.7mn from Export Credit Fund (EKF) of Denmark on the terms agreed upon by the Ministry of Finance and Planning. It also authorized the Treasury of Government of Sri Lanka to sign an on-lending agreement with Milco (Private) Limited.

Subsequently, the Government of Sri Lanka entered into an on-lending agreement with Milco (Private) Limited for the borrowings of Euro 33.7mn from the aforesaid party under the following conditions.

- i. Repayment of principal, interest, commitment fee, structuring fee and other costs shall be made in Rupees to the Treasury of Government of Sri Lanka.
- ii. An amount equivalent to Euro 2,274,016.40 is payable up-front as EKF Premium.
- iii. Overdue charges at 2% per annum, in the event of default of payments.

- (b) Milco (Pvt) Limited, on 15th May 2015, entered into an agreement with Desmi Contracting A/S, a company incorporated in Denmark, for establishment of a dairy processing plant at Badalgama (The Project) of the company at a cost of Euro 63.9Mn.

Cabinet paper No.14/1399/511/001-i (Dated 9th October 2014) presented by the Ministry of Livestock and Rural Community Development on “Establishment of a Dairy Processing Plant at Badalgama” was approved by the Cabinet on 17th December 2014 and accordingly, authorized to the Department of External Resources to Borrow Euro 63.9mn from Export Credit Fund (EKF) of Denmark on the terms agreed upon by the Ministry of Livestock and Rural Community Development (Ref:MLRCD/03/15).

Subsequently, the Government of Sri Lanka entered in to an on-lending agreement behalf of the Milco (Private) Limited with Hongkong and Shanghai Banking Limited (HSBC) for the borrowings of Euro 63.9mn from the aforesaid party under the following conditions.

- i. Repayment of principal, interest, commitment fee, structuring fee and other costs shall be made in Rupees to the Treasury of Government of Sri Lanka.
- ii. An amount equivalent to Euro 2,234,919 is payable up-front as (Eksport Kredit Fonden/Export Credit Fund) EKF Premium.
- iii. An amount equivalent to Euro 19,180,692.30 (30% of the contract value) has been paid to Desmi Contracting A/S by Milco (Pvt) Ltd as an advance payment in 2015 pursuant to the terms of contract
- iv. Over due chargers at 2% per annum, in the event of default of payments.

As at 31st December 2020, the project was in progress, 43 shipments have been arrived to the location for a value of EURO 36,630,705.55 (100% of the shipment value) and 14 milestone payments were released to the contractor amounting to EURO 21,721,006.23

Milco (Private) Limited has not signed the subsidiary loan agreement with General Treasury to the Government of Sri Lanka as yet.

15.2 Non-Interest Bearing Borrowings

Long-Term Portion

National Milk Board

As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
2,108,063	2,108,063
2,108,063	2,108,063

16 RETIREMENT BENEFIT OBLIGATION - GRATUITY

Balance at the Beginning of the Year

Current Service Cost

Interest Cost

(Gain)/ Loss from Changes in Assumption

Payment Made During the Year

Balance at the End of the Year

651,565,041	527,308,101
49,755,160	36,401,372
66,655,104	61,853,240
109,295,614	67,714,812
(35,718,123)	(41,712,485)
841,552,796	651,565,041

Messrs. Actuarial & Management Consultants (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the projected unit credit method as at 31st December, 2020. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

The Principal Assumptions Used were as Follows:

Expected Salary Increment	10% p.a
Discount Rate	7.39% p.a
Staff Turnover Factor	5% p.a
Maximum Retirement Age	60 Years

Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employee benefits liability measurement.

The sensitivity of the statement of comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Effect on Change to Statement of Comprehensive Income Rs.	Effect on Employee Benefit Obligation Rs.
1%	*	63,602,281	777,950,515
-1%	*	(72,643,133)	914,195,929
**	1%	(73,953,827)	915,506,623
**	-1%	66,014,112	775,538,684

* Salary Increment Rate 10% for the Company

** Discount Rate 10.23%

	As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
17 GOVERNMENT GRANT		
17.1 Balance at the Beginning of the Year	29,079,994.09	16,447,596
Grant Received During the Year	-	-
Grant Recognized to the Statement of Comprehensive Income During the Year	(8,998,110)	(12,632,398)
Balance at the End of the Year	<u>20,081,884</u>	<u>29,079,994</u>
17.2 Deferred Government Grant		
Grant of Samanthurai	618,801	764,401
Grant of Thimilathive	765,000	945,000
Grant of Milk Cans	114,392	114,392
Grant of 14 Sales Outlets	468,750	543,750
Grant of LCRD	16,000,582	16,000,582
Grant of Cooling tanks	727,792	6,086,091
Grant of Electric Grass Cutters	52,776	52,776
Grants of Coolers	1,333,793	4,573,003
	<u>20,081,884</u>	<u>29,079,994</u>
18 TRADE AND OTHER PAYABLES		
Trade Creditors	262,896,321	222,900,853
Expense Creditors	346,801,069	424,278,363
Other Payables	165,778,518	114,908,066
	<u>775,475,909</u>	<u>762,087,282</u>
19 BANK OVERDRAFTS		
Bank of Ceylon	414,044,838	899,630,332
People's Bank	240,439,753	252,445,022
Pan Asia	19,144,218	248,762,546
	<u>673,628,809</u>	<u>1,400,837,901</u>

MILCO (PVT) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020



	For the Year Ended 31st December, 2020 Rs.	For the Year Ended 31st December, 2019 Rs.
20 REVENUE		
Gross Sales	11,104,710,548	10,509,415,104
Nation Building Tax	-	(195,594,831)
	<u>11,104,710,548</u>	<u>10,313,820,273</u>
21 OTHER INCOME		
Surcharges on Returned Cheques	2,363,316	6,415,722
Non Refundable Deposit	24,000	42,500
Non Refundable tender Deposit	163,500	513,000
Differed Income	8,998,110	12,632,398
Registration of Suppliers	3,248,000	3,572,000
Sundry Income	3,351,759	2,226,434
Exchange Gain	14,127,003	-
Fines & Surcharges	434,922	1,159,556
House Rent	444,151	1,782,804
Sale of Unserviceable Items	292,648	579,231
Disposal gain	28,367	566,035
Margin on Liquid Milk Sale	-	220,042
	<u>33,475,777</u>	<u>29,709,723</u>
22 FINANCE INCOME		
Interest on Call/Fixed Deposit - Local	14,760,152	19,930,044
Interest on Fixed Deposit - Foreign Currency (USD)	31,134,260	23,178,274
Interest on Staff Loans	7,078,169	6,818,527
	<u>52,972,581</u>	<u>49,926,845</u>
23 FINANCE COSTS		
Interest on Finance Lease	3,968,914	5,218,823
Interest on Loans	10,260,496	38,258,234
Interest on Bank Overdrafts	105,510,572	152,362,290
	<u>119,739,982</u>	<u>195,839,348</u>

		As at 31st December, 2020 Rs.	As at 31st December, 2019 Rs.
24 INCOME TAX EXPENSES			
Current Income Tax Provision	24.1	-	-
Deferred Tax Charge for the Year	14	-	-
		-	-
24.1 Accounting Profit Before Taxation		225,756,290	(862,714,548)
Less: Income Considered Separately		(67,127,951)	(50,492,880)
Profit from Trade or Business		158,628,339	(913,207,428)
Less: Net allowable and Disallowable Expenses for Tax Purpose		790,669,720	(1,173,494,460)
Business (Loss)/Profit Applicable Taxation		949,298,059	-
Tax Rate		18%	14%
Exempt Other Income		31,134,260	-
Liable Other Income		949,298,059	49,926,845
Tax Rate		18%	14%
Tax on Chargeable Profit or Income		170,873,651	6,989,758
Tax Effect on Deductions		(170,873,651)	(6,989,758)
Provision for the Year (Tax on Adjusted Income)		-	-

25 EARNINGS/(LOSS) PER ORDINARY SHARE

Basic Earning Per Share is calculated by dividing the net profit/(loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue.

	2020 Rs.	2019 Rs.
Net Profit/(loss) Attributable to Ordinary Shares	116,460,676	(862,714,548)
Weighted Average Number of Ordinary Share	31,945,406	31,945,406
	3.65	(27.01)

25.1 Diluted Earnings Per Share

There is no potentially diluted ordinary share of the company and as a result, the diluted earnings per share is the same as basic earnings (loss) per share as shown above.

26 UNRECOGNIZED CONTRACTUAL COMMITMENTS

There have been no capital commitments contracted but not provided for, or authorized by the board but not contracted for, outstanding as at the reporting date except as detailed below.

27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

27.1 Contingent Liabilities

There are no contingent liabilities as at the reporting date, except following.

01. Certain employees and past employees have filed cases in the labor Tribunal against the Company Claiming back wages, re-instatement ...etc. for arbitration and also fundamental rights against the company. Since a reliable estimate of the amounts which will be resulting a future cash out flow can not be made and the out come is unknown, a provision had not been made in the accounts in respect of above contingencies.

02. Milco (Pvt) Ltd had contracted M/S Super Neat Technology (Pvt) Ltd for procurement of UPS (uninterrupted power supply) to Ambewela Milk Factory, for a consideration of Rs.94,906,281.25 in 2018. However, subsequently in 2019, the board of directors has decided to cancel the tender on the ground of inadequate funds to pay supplier and some flaws noted in the procurement process.

Following the above, the supplier, M/S Super Neat Technology (Pvt) Ltd filed a case against Milco (Pvt) Ltd in 2019 to recover the losses incurred by them due to cancelation of tender. Legal proceedings are in-progress as of the reporting date and no provision has been made in the financial statements as a reliable estimation can not be made on the same..

27.2 Contingent Assets

There are no contingent assets as at the reporting date.

28 RELATED PARTY DISCLOSURE

28.1 Substantial Shareholding and Ultimate Ownership

The company is a wholly owned government enterprise, which holds 100% ordinary shares of the company.

28.2 Key Management Personnel Information

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company as well as its related parties, directly or indirectly, including any director (whether executive or otherwise) of the company.

The remuneration of directors and other members of key management during the year were as follows:

	For the Year Ended 31st December 2020	For the Year Ended 31st December 2019
Short-term employee benefits	<u>2,527,657</u>	<u>3,957,907</u>

28.3 Related Party Transactions

As per the declaration made by the directors of the company, there were no significant related party transactions taken place throughout the period which would require to be disclosed as per Sri Lanka Accounting Standards.

29 COMPARATIVE INFORMATION

Comparative figures have been re-classified where necessary in line with the presentation requirements for the current year.

30 ASSETS PLEDGED AS COLLATERALS

Following assets have been pledged as security against loans

Nature of Liabilities The Name of Bank	Loan / Facility Granted Rs.	Balance Outstanding As At 31.12.2020 Rs.	Balance Outstanding As At 31.12.2019 Rs.	Repayment	Assets Pledged
Loan granted by Bank of Ceylon	700,000,000	46,666,480	11,666,500	Repayable in 120 equal monthly instalments of Rs.5,833,335/-	Fixed Deposits Amounting US\$ 3,150,040.69 of Bank of Ceylon.
Loan granted by Bank of Ceylon	120,000,000	15,000,000	45,000,000	Repayable in 48 equal monthly instalments of Rs.2,500,000/-	Fixed Deposits Amounting US\$ 3,150,040.69 of Bank of Ceylon.
Loan granted by Bank of Ceylon	100,000,000	49,999,984	77,083,326	Repayable in 48 equal monthly instalments of Rs.2,083,334/-	Fixed Deposits Amounting US\$ 3,150,040.69 of Bank of Ceylon.
Bank Overdraft facility provided by Bank of Ceylon	600,000,000	312,267,147	629,192,300	On Demand	Stock in trade movables and effect of the obligation including stocks of packing materials and finished goods and other moveable property lying in and upon or stored at No. 45, Nawala Road, Narahenpita in the district of Colombo, Western Province and present and or future book debts of the company.
Bank Overdraft facility provided by People's Bank	189,500,000	177,426,763	187,669,547	On Demand	Fixed deposit amounting to Rs. 210,000,000.
Post Dated Cheque discounting facility provided by Bank of Ceylon	75,000,000	4,500	58,983,395	On Demand	Lodgment of Trade related Post dated Cheques.
Post Dated Cheque discounting facility provided by Pan Asia Bank	300,000,000	18,984,512	58,983,395	On Demand	Lodgment of Trade related Post dated Cheques.
Bank Overdraft facility provided by by Pan Asia Bank	100,000,000	-	100,000,000	On Demand	Fixed deposit amounting to Rs. 50,000,000 and lodgment of Trade related Post dated Cheques.

31 EVENTS AFTER THE REPORTING DATE

There have been no material events that occurred between the reporting date and the date on which the financial statements were authorized for issue that require adjustments to, or disclosures in the Financial Statements, except following.

Cabinet paper no. 21/0199/323/012 dated 11.01.2021, presented by the Ministry of Agriculture on "Modernization project of Polonnaruwa, Ambewela and Digana dairy factories" was approved by the cabinet on 08.02.2021.

Accordingly, approval was grant to;

- a. convert the loan on-lent to Milco (Pvt) Ltd, as equity contribution of General Treasury.
- b. waive off the outstanding loan interest as at 31.12.2020.

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 Fair Value of the Financial Instrument Carried at Amortized Cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and liabilities.

	Carrying Amount Rs.	Fair Value Rs.
Financial Assets		
Financial Instrument - Amortised cost	811,519,828	811,519,828
Trade and Other Receivables	1,075,106,153	1,075,106,153
Cash and Cash Equivalents	17,228,129	17,228,129
Total Financial Assets	1,903,854,110	1,903,854,110
Financial Liabilities		
Trade and Other Payables	775,475,909	775,475,909
Interest Bearing Loans and Borrowings	111,666,508	111,666,508
Payable to the Treasury of Government of Sri Lanka	18,414,496,875	18,414,496,875
Bank Overdraft	673,628,809	673,628,809
Total Financial Liabilities	19,975,268,100	19,975,268,100

32.1 Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements.

Assets for which fair Value Approximate Carrying Value

For the financial assets and financial liabilities that have a short-term maturity, it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and call deposits without a specific maturity period.

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Introduction

Risk is inherent in the company's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the company's continuing profitability and each individual within the company is accountable for the risk exposures relating to his or her responsibilities.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has delegated its authority to its key management personnel who are responsible for developing and monitoring company's risk management policies.

Principal Financial Instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

Instrument

- Trade Receivables
- Cash and Cash Equivalents
- Trade and Other Payables
- Bank Overdrafts
- Bank Loans

33.2 Credit Risk – Default Risk

Credit risk is risk arising due to the uncertainty in counterparty's ability to meet its obligations. The risk of loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meets a contractual obligation.

33.3 Liquidity Risk and Funding Management

Liquidity risk refers to the possibility of company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of company's assets and liabilities. Adequate liquidity is critical to meet the company's financial commitment and to accommodate additional funding needs of the growing business volumes.

The company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles.

33.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

Company	On Demand Rs.	Less than 2 Months Rs.	2 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Instrument - Held to Maturity	-	-	-	811,519,828	-	811,519,828
Trade and Other Receivables	-	1,075,106,153	-	-	-	1,075,106,153
Cash and Cash Equivalents	17,228,129	-	-	-	-	17,228,129
Total Financial Assets	17,228,129	1,075,106,153	-	811,519,828	-	1,903,854,110
Financial Liabilities						
Trade and Other Payables	-	775,475,909	-	-	-	775,475,909
Interest Bearing Loans and Borrowings	-	14,444,415	72,222,073	25,000,020	-	111,666,508
Payable to the Treasury of Government of Sri Lanka	-	-	-	-	18,414,496,875	18,414,496,875
Bank Overdraft	673,628,809	-	-	-	-	673,628,809
Total Financial Liabilities	673,628,809	789,920,323	72,222,073	25,000,020	18,414,496,875	19,975,268,100
Total Net Financial Assets/ (Liabilities)	(656,400,681)	285,185,830	(72,222,073)	786,519,808	(18,414,496,875)	(18,071,413,991)

33.4 Interest Rate Risk

Interest rate risk is a key constituent of the market risk exposure of the company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities; accepting deposits and issuing debt instruments.

As of the reporting date, the company has no interest rate sensitive financial assets or financial liabilities.



MILCO (PVT) LTD.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2020

		For the Year Ended 31st December, 2020 Rs.	For the Year Ended 31st December, 2019 Rs.
Revenue		11,104,710,548	10,313,820,273
Cost of Sales	I	<u>(9,703,560,044)</u>	<u>(9,917,539,530)</u>
Gross Profit		1,401,150,505	396,280,743
Other Operating Income	II	<u>33,475,777</u>	<u>29,709,723</u>
		1,434,626,282	425,990,466
Administrative Expenses	III	(798,515,146)	(688,427,005)
Distribution Expenses	IV	(336,890,593)	(399,206,715)
Other Expenses	V	<u>(6,696,851)</u>	<u>(55,158,791)</u>
Profit/ (Loss) from Operations		292,523,692	(716,802,045)
Finance Income	VI	52,972,581	49,926,845
Finance Expenses	VII	<u>(119,739,982)</u>	<u>(195,839,348)</u>
Net Profit/ (Loss) Before Taxation		225,756,290	(862,714,548)
Income Tax Expenses		-	-
Net Profit/(Loss) for the Year after Taxation		<u><u>225,756,290</u></u>	<u><u>(862,714,548)</u></u>

MILCO (PVT) LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2020



	For the Year Ended 31st December, 2020 Rs.	For the Year Ended 31st December, 2019 Rs.
I. COST OF SALES		
Cost of Purchase of Raw Milk	5,297,736,481	4,629,414,135
Chilling Cost	412,909,018	425,531,416
Development Cost	262,476,767	260,485,819
Bowser Cost	245,612,988	247,967,584
Net Stock Adjustments on Raw Materials	502,902	488,424
Cost of Other Raw Materials	1,034,614,747	1,099,619,705
Total Cost of Raw Materials	<u>7,253,852,902</u>	<u>6,663,507,082</u>
Cost of Packing Materials	952,755,788	1,313,757,788
Cost of Processing and Packing Labor	480,708,484	552,336,471
Prime Cost	<u>8,687,317,174</u>	<u>8,529,601,341</u>
Energy Cost		
Furnace Oil	344,487,550	329,252,004
Electricity	147,063,404	141,676,555
Diesel	45,548,155	55,173,113
Water	20,858,618	22,103,605
Other Energy Cost	79,523	92,153
Total Energy Cost	<u>558,037,251</u>	<u>548,297,430</u>
Other Consumables		
Lab Chemicals	10,396,662	10,615,442
Detergent & Cleaning Material	53,457,091	68,056,539
Wages and Staff Welfare of Factory Staff	421,221,031	355,224,055
Marginal Cost	<u>9,730,429,209</u>	<u>9,511,794,807</u>
Factory Overheads		
Depreciation and amortisation	463,178,689	459,788,527
Repairs and Maintenance of Plant and Machinery	102,497,181	194,149,607
Repairs and Maintenance of Buildings	43,835,774	9,643,643
Transport	4,352,162	3,591,535
Insurance	20,465,782	30,730,303
Total Factory Overheads	<u>634,329,589</u>	<u>697,903,615</u>
Total Cost of Production	<u>10,364,758,798</u>	<u>10,209,698,421</u>
Net Stock/ Transfer Adjustments on Finish Goods	(552,236,491)	(224,638,837)
Adjustment for Changes in Actuary Assumption	(109,295,614)	(67,714,812)
Unrealised profit adjustment	333,351	194,758
	<u><u>9,703,560,044</u></u>	<u><u>9,917,539,530</u></u>

	For the Year Ended 31st December, 2020 Rs.	For the Year Ended 31st December, 2019 Rs.
II. OTHER INCOME		
Surcharges on Returned Cheques	2,363,316	6,415,722
Non Refundable Deposit	24,000	42,500
Non Refundable tender Deposit	163,500	513,000
Differed Income	8,998,110	12,632,398
Registration of Suppliers	3,248,000	3,572,000
Sundry Income	3,351,759	2,226,434
Exchange Gain	14,127,003	-
Fines & Surcharges	434,922	1,159,556
House Rent	444,151	1,782,804
Sale of Unserviceable Items	292,648	579,231
Disposal gain	28,367	566,035
Margin on Liquid Milk Sale	-	220,042
	<u>33,475,777</u>	<u>29,709,723</u>
III. PERSONNEL EXPENSES		
Staff Salaries	253,748,355	229,043,057
Staff Allowances	2,900,985	13,608,970
Contributions to Employees' Provident Fund	24,491,464	21,496,286
Contributions to Employees' Trust Fund	6,017,764	5,360,949
Provision for Defined Benefit Plans - Gratuity	54,799,645	40,298,106
Overtime	15,522,679	13,037,938
Staff Bonus	12,809,704	13,952,543
Casual Wages	2,267,264	1,781,277
Overtime	115,009	22,200
E.P.F.	24,623	10,720
E.T.F.	12,992	2,680
Incentives	2,941,500	1,220,359
Leave Payment	18,566,319	10,330,764
Transport Allowance	3,759,069	3,853,696
Fuel Allowances	1,031,188	1,235,848
Staff Training	287,000	671,600
Medical expenses	2,340,334	1,982,018
Death Donation	220,000	280,000
Gift Vouchers	394,778	350,378
Staff Welfare	25,866,278	13,497,107
Mid day Allowance	345,632	359,010
Field Allowance	493,400	560,600
Uniform	31,052	243,935
Telephone Allowances	111,542	123,500
	<u>429,098,577</u>	<u>373,323,541</u>

	For the Year Ended 31st December, 2020 Rs.	For the Year Ended 31st December, 2019 Rs.
III.I ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Repairs and Maintenance	40,786,024	38,610,720
Directors Expense	2,527,657	6,518,158
Travelling	5,236,336	9,923,389
Garden Maintains	8,983,635	11,617,039
Bank Charges	2,773,782	2,685,539
Bungalow Expenses	173,163	1,480,378
Quality Control Expenses	1,584,579	1,622,190
Depreciation and amortisation	26,930,175	29,342,782
Legal Charges	2,945,018	4,982,320
Printing and Stationary	7,670,210	12,495,734
Security Charges	53,952,408	54,222,339
PEST control	141,108	556,800
Sundry Expenses	243,667	1,011,907
Electricity expenses	15,711,861	13,900,139
Water expenses	656,940	718,818
Rent & Rates	20,609,735	20,959,813
Stamp Expenses	98,902	16,826
Postage Expenses	294,608	338,883
Advertisement	373,923	546,171
News Papers & Periodicals	405,470	524,480
Vehicle License	356,290	359,693
Vehicle Hiring	2,382,817	3,484,858
Accounting & Auditing expenses	6,272,366	8,628,939
Consultancy Charges	4,493,185	5,656,123
Insurance	25,686,932	28,002,155
Fuel Expenses	27,604,847	29,320,421
DESMI Project Expenses	14,195,695	3,004,165
Telephones Expenses	3,887,447	5,480,713
ESC - Write Off	91,350,074	15,364,873
Other Expense	-	94,511
Entertainment Expenses	1,015,405	1,066,002
Exchange loss	-	2,566,588
Charity and donations	72,310	-
	<u>369,416,568</u>	<u>315,103,463</u>
Total Administration Expenses	<u><u>798,515,146</u></u>	<u><u>688,427,005</u></u>

	For the Year Ended 31st December, 2020 Rs.	For the Year Ended 31st December, 2019 Rs.
IV. SELLING AND DISTRIBUTION EXPENSES		
Advertisements and Sales Promotion	66,855,441	68,377,727
Transport Expenses	91,043,224	115,743,779
Sales Commission	26,710,818	28,282,771
Warehousing Chargers	279,128	8,948,457
Vehicle hiring chargers	22,781,892	40,137,026
Out Let Expense	115,307,573	124,688,644
Repair & Maintanance of Motor Vehicle	(42,523)	476,827
Repairs & Maintenance of Bottle Coolers	114,811	63,266
Fuel	274,065	731,999
Free issues and write off of Finish Goods	13,566,165	11,756,219
	<u>336,890,593</u>	<u>399,206,715</u>
V. OTHER EXPENSES		
Loss on Milk Transfers	1,259,755	-
Stock write-off- Finish goods	5,437,096	47,180,280
Stock write-off- Raw & packing materials	-	7,978,511
	<u>6,696,851</u>	<u>55,158,791</u>
VI. FINANCE INCOME		
Interest on call/fixed deposit	14,760,152	19,930,044
Interest on Fixed Deposit - Foreign Currency (USD)	31,134,260	23,178,274
Interest on Distress Loan	6,857,181	6,453,526
Interest on Motor Cycle Loan	183,569	204,218
Interest on Special Loan	37,419	160,782
	<u>52,972,581</u>	<u>49,926,845</u>
VII. FINANCE COSTS		
Interest on Bank Overdrafts	105,510,572	152,362,290
Lease Interest	3,968,914	5,218,823
Loan Interest	10,260,496	38,258,234
	<u>119,739,982</u>	<u>195,839,348</u>



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



My No.: FLS/C/MILCO/01/20/04

Your No.:

Date: 09th January 2024

Chairman

Milco Private Limited

The financial statements of Milco Pvt Ltd for the year ended as at 31st December 2020 and the Auditor General's Report on other legal and regulatory requirements in terms of section 12 of the National Audit Act, No.19 of 2018

1. Financial Statements

1.1 Disclaimer of Opinion

The Financial Statements of Milco Private Limited for the year ended as at 31st December, 2020 comprised with the Comprehensive Income Statement, Change of Equity, Cash Flow Statement and Notes related to such Financial Statements as at the same above date, and the summary of important accounting policies, was audited within my supervision in terms of Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka to be read with the provisions of the National Audit Act, No.19 of 2018. My Report will be tabled in Parliament in accordance with Article 154(6) of the Constitution in due course.

I do not express any opinion with regard to the financial statements of the company. Due to the importance of the facts discussed under the basis for disclaimer of opinion, it was not possible for me to obtain sufficient and appropriate audit evidences to provide a basis for audit opinion on these financial statements.

1.2 Basis for Qualified Opinion

- (a) Assets, liabilities, income, and expense balances should not be presented in the financial statements except as permitted by Chapter 32 of Sri Lanka Accounting Standards No. 01. In the financial statements of the Head office, the total debit balance of Rs. 4,170,475 to the trade debtor and the total of 04 other payable balance items including the total of Rs. 24,654,488 were set off in the current liabilities. Also due to the reasons that the amount of debit balances of Rs.20, 697,294, Rs.33, 350,997

and Rs.1, 567,550 of Grants Office, Digana and Colombo Dairy Factories and current asset items of advance deposits and prepayments of Rs.6, 679,409 are shown as credit balances, as a whole, current liabilities and current asset balances were understated by Rs. 28,824,963 and Rs. 62,295,250 respectively.

- (b) For 04 factories of the company and the cattle feed production sector, the group reporting of the financial statements should have been done according to the 13th section of the Sri Lanka Financial Reporting Standards 8, but it had not been done.
- (c) According to the chapters 5.5.15 in Sri Lanka Financial Reporting Standards, No. 9, the expected credit loss method should be used for subsequent measurements for the trade debtor balance of Rs. 719,118,672, the debtor balance was not calculated and according to the schedules submitted to the audit, the balance was Rs. 712,258,436 and there was a difference of Rs. 6,860,236. Furthermore, the scope was limited as an analysis for the other debtor balance of Rs. 46,400,866 was not submitted to the audit.
- (d) Due to the fact that the company is a major company that releases milk-related products to the market, there is a huge demand for those products and the fact that the company is incorporated as a private company, etc. and the deferred tax assets were not identified and accounted for in the financial statements for the year under review in accordance with paragraph 37 of Sri Lanka Accounting Standards 12 stating that there is no sufficient evidence to confirm that a temporary change, change or taxable profit can be made which is a quantitative tax.
- (e) According to section 50 & 51 of Sri Lanka Accounting Standards 16, the life of the assets in use should be reviewed annually; an effective life should be estimated and accounted for as a change in estimate in the accounts. However, although 6,562 items of fixed assets of Rs 470,817,829 have been fully depreciated, they have been in use since 2013 to 31 December 2020, but their useful lives have not been reviewed as per the standard.
- (f). According to paragraph 2.04 of the agreement between the company and the Department of Foreign Resources for the factory modernization project, all the expenses incurred by the Department of Foreign Resources related to the project, i.e. the exchange variation, were also to be borne by the

companies. Accordingly, the loan balance due on December 31, 2020 related to the above project should be valued and accounted for at the foreign exchange rate at the end of the year in accordance with paragraph 23 of Sri Lanka Accounting Standard 21. since the adverse effect of foreign exchange rate variation which should be accounted for from 2013 to 2020 is Rs 1,467,885,383, while the company's long-term debt liability has been understated by an amount equal to that value, and the foreign exchange variation of 71,197,063 rupees in the reviewed year was not adjusted in the accounts, the profit of the year was also over calculated by the same amount.

- (g) According to Treasury Operations Department No. TO/REV/05/33/6 and letter dated September 27, 2023, under the Factory Modernization Project, although the unreimbursed loan balance returned by the company to the treasury on December 31, 2020 is Rs. 6,487,344,117, the balance was accounted as Rs 1,658,903,964 more than Rs 9,148,369.878 in the financial statements of the company. Although the cumulative interest payable on the same was Rs 9, 44,267,259, the interest payable was understated as it had not been accounted for. According to paragraph 12 of Sri Lanka Accounting Standard 23, the amount of loan interest to be capitalized during the construction period was not capitalized to the work in progress account till the year under review, so the work in progress was also understated.
- (h) As per paragraph 12 (e) of Sri Lanka Accounting Standard 36, impairment adjustments should be made for idle machinery, detrimental adjustments were not made in respect of the ice cream cone filling machine purchased in 2014 and handed over to Digana Dairy Factory at a cost of Rs 15,445,587, Yoghurt mixing machine worth Rs. 104,177,779 purchased on 20th January 2011 for installation in Colombo factory and 04 internals of the Colombo Dairy Factory with a total value of Rs 2,275,000 by the board.
- (i) Due to cancellation by the Board of Directors after offering purchase orders for Uninterruptible Power Supply Unit (UPS) at Ambewela Dairy Factory, the supplier had filed a lawsuit against the company claiming damages of 40 million rupees, and in this regard, the financial statements were not disclosed in the notes in accordance with Sri Lanka Accounting Standard 37, Section 86.
- (j) The sum of the financial statement as depreciation for the year, according to Note No. 02 of the company's statement of financial position, the amount of depreciation for the year under review was Rs 535,201,255 but a difference of Rs.5, 755,314 was observed in recording the depreciation of the year due to the total of the financial statement being Rs.529, 445,941 as depreciation for the year.

- (k) In the company's Colombo, Ambewela, Digana and Polonnaruwa milk factories, Polgahawela cattle feed production unit and head office in 06 divisions, the balance sheets of each final financial statement are considered separately and the accumulated depreciation value of property, plant and equipment as of December 31, 2020 is Rs. 3,720,476,766, but as per Note No. 02 of the Company's Statement of Financial Position, it was Rs 3,724,190,410, so a difference of Rs 3,713,644 was observed.
- (l) According to the company's property, plant and equipment policy, the effective life of buildings ranges from 20 to 25 years, and the effective life of plant and equipment ranges from 04 to 30 years, so the economic useful life could not be determined and according to note No. 1.3.1.C related to the company's financial statements of the reviewed year, the depreciation period of fixed assets such as furniture and fittings, laboratory equipment, motor vehicles, keys and equipment, office equipment, computers and bottle coolers in the reviewed year compared to the previous year had been changed and the required disclosures in the financial statement about those changes were not made. Also the Board of Directors' approval and reason for that was also not submitted to the audit.
- (m) Although the cost of property, plant and equipment was Rs. 9,351,000,903 when considered separately according to the balance sheets of the last financial statements of each factory as of December 31, 2020 of the company, a variation of Rs.3, 199,881 was observed in the cost as per the property, plant and equipment statement of the company's statement of financial position, the cost was stated as Rs 9,354,200,784.
- (n) Although the financial statement of the year under review showed a net balance of property, plant and equipment of Rs 5,630,010,374, the company had not carried out a physical verification regarding the property, plant and equipment. Also, since the company did not maintain properly maintained fixed asset records for factories other than the head office and the Polonnaruwa Dairy Factory, the accuracy of cost, existence, ownership, and depreciation calculations of fixed assets also accuracy of the cost, depreciation and accumulations etc. of fixed assets which have been removed for the year could not be checked during the audit.
- (o). In the statement of consolidated financial position of the company, under non-current assets under program number four in the year under review, the amount of Rs.3,197,074 was spent on the construction of Ambewela Dairy Factory in the year under review, but the said cost was not shown in the financial statements of Ambewela Dairy Factory.

- (p) The equipment have purchased for amount of Euros 279,206.99 or Rs. 56,446,190 as 60 percent of the total cost and 30 percent as a reduction of Euros 139,603.50 or Rs. 28,223,096 as the initial advance for the importation of machine equipment spare parts and a 10 percent retention for those expenses about Euros 46,534.50 or Rs.9, 407,698, totaling Euros 465,344.99 or Rs.94,076,984. However, in the financial statements of the year under review, under construction of the Badalgama factory under the work in progress in Note No. 04, the total expenditure had not been transferred to the work in progress account, so the work in progress and Long Term Loan Rs. was understated by 94,076,984 During the year of construction of Badalgama New Milk Factory.
- (q) The amount paid for the construction and machinery of the factories as work balances since the beginning of the year before the year under review includes 5 balances of Rs 827,754,229 and no expenses were paid for it during the year under review. By the end of the year, the balances had not been advanced or done, and since these machines and constructions are carried out on the basis of loans, the purposeful operations have not been able to be carried out for a period of 4 years, so the loan amount obtained was only an expense to the government.
- (r) The company's dollar deposit matures on July 06 of the year under review, and the interest income on that date was Rs 26,456,514 as per the Central Bank exchange rates. The interest income received for 188 days of the year under review was Rs 13,589,685 and the interest income due for the remaining 178 days of the year under review was Rs 8,134,012. Thus, although the total interest income for the year was Rs 21,723,697, as per the financial statements, the dollar deposit interest was Rs 31,134,206, so an excess income of Rs 9,410,563 had been accounted for. Since Rs 17,340,571 was accounted as interest income receivable, the fixed deposit interest income receivable was over accounted by Rs 9,206,559.
- (s) In the year under review, the total value of the financial statements of raw milk purchase cost, packaging material cost, machinery and building repair cost and insurance cost included in the cost of sales was 6,417,291,006. On checking the factory accounts, there was a difference of Rs 5,383,352 from the value of Rs 6,422,674,358. And comparing those values with the previous year, a significant variation of 14 percent to 354 percent was shown.
- (t) Although the trade and other payables net balance shown under the Head Office is Rs 260,618,242, a change of Rs 15,667,564 was observed since the total net balance was Rs 244,950,678 as per the provisional balance lists of the Head Office.



- (u) According to the computer copies submitted in relation to the other payable balance, the balance of Polonnaruwa Dairy Factory included a balance of Rs 2,180,689, but there was no such balance in the financial statements of Polonnaruwa Dairy Factory.
- (v) A list of creditor balances and a creditor period analysis were not submitted to the audit for trade and other payable balances in the company's financial statement, for the balance of Rs 36,288,829 in the Polonnaruwa factory, for the balance of Rs 19,423,807 in the Ambewela factory, and for the balance of Rs 18,535,923 in the Digana factory,
- (w) By the end of the year, 486,007.88 Euros remained to be covered by the initial advance in connection with the construction of the new Badalgama dairy factory and the importation of machinery and equipment. Since the balance of Rs 139,152,682, which was the opening balance of the year under review, was shown as the year-end balance, Rs 29,538,465 had been accrued as long-term advances although the amount calculated on the year-end foreign exchange balance of 225.24 (1 Euro=Rs 225.54) is Rs 109,614,217.
- (x) 03 balances amounting to Rs 253,328 unaccounted for under cash and cash equivalents in bank balances remained unsettled as on 31st December 2020.
- (y) According to the schedule submitted to the audit, in the head office's prepayment balance of Rs 18,472,541, the total over 5 years of Rs 12,881,934 had not been settled even on December 31, 2020 and in that total balance, there was a credit balance of Rs. 307,361. Also, according to the calculation, the balance was Rs 18,472,541, but according to the financial statements, the balance was Rs 11,819,250, a difference of Rs 6,653,291 was observed.
- (z) Advances amounting to Rs 1,268,432 for the purchases of the Ambewela factory in the years 2009, 2010, 2011, 2015, 2017 and 2018 remained unpaid till 31 December 2020 and out of the miscellaneous debtor balance of Rs 3,039,417, the uncollectible balance from 03 to 17 years was Rs 2,739,197. The debtor balances were not settled by cashing the bank guarantees kept on behalf of those debtors.
- (aa) Although the employee creditor balance in the financial statement is Rs.164,864,339, according to the schedule submitted to the audit, the balance was Rs.163,505,964, which was a difference of Rs.1,358,375 and according to the factory accounts, the balance was Rs. 164,448,503 was a change of Rs 415,836.



- (bb) Rs.109, 295,614 as loss on retirement benefit life coefficient was credited to the retirement benefit liability account and debited to the other comprehensive income statement and the amount was debited to cost of sales. Accordingly, in the year under review, the cost of sales had decreased by that value and the profit had increased.
- (cc) The balance of Rs.2,108,063 owed to the National Milk Board under non-interest credit was not settled even at the end of the year under review.
- (dd) The amount of Rs.56,821,121 had not been adjusted in the financial statements for the commitment charges charged on the loan balance used from the loan amount given for the factory modernization project as per the Treasury Operations Department's letter No. TO/REV/05/33/6 and dated September 27, 2023
- (ee) The temporary difference of the company for the calculation of tax should be Rs. 4,283,757,781, but according to the tax calculation schedule submitted to the audit, as the temporary changes of tax were up to Rs. 4,043,212,846, and was understated as Rs. 240,544,935 and the related liability was understated by Rs. 43,298,088 therefore.
- (ff) According to the EY company's income calculation report of the year under review, the value of tax loss carried forward is Rs.5,983,567,629, but as per Note No. 14, in the calculation of capital tax, the value was taken as Rs.5,813,714,649, so a difference of Rs.169,852,980 was observed. Therefore, the related deferred asset was calculated less by Rs.30,573,536. In note No. 24.1 of the financial statements, the net value that can be allowed in the calculation of the tax expense for the year is stated as Rs.790,669,720, but according to the income statement report, the value was Rs.121,929,331 from Rs.668,740,389. Since the gross tax assets of Rs.278,981,206, which have been accounted for as loss provisions for money due from the government, were not considered in the calculation, the adjusted tax asset was calculated less by Rs.50,216,617.
- (gg) Unused stock worth Rs. 15,699,277 worth of milk powder from before the year 2016 was in Ambewela factory, but as of 31 December 2020, they were not recognized as obsolete. Also, in the company's last stock, there was a slow-release engineering stock worth Rs. 38,711,150 over 20 years and a slow-release stock worth Rs. 42,237,877 in the normal stock and the value was unrecognizable, and considering those circumstances, the net realizable value of the stocks was not calculated. Also, the engineering stock value of Digana factory was Rs.12, 679,161 and the engineering stock value of

Polonnaruwa factory was Rs.311,755 undercounted and 08 stock items were undercounted by Rs.12,715. And from previous years Rs. 12,096,362 had been shown as an unsettled part balance for deficiency.

- (hh) As per the schedules made by the company, the value of sock issued free were of Rs. 16,405,193, but the value of the financial statements issued free of charge is 13,568,166 the amount of Rs.2.837.027 difference and although the finished stock included in the closing stock of Digana factory is Rs.7,984,542 and the balance of unfinished stock is Rs. 8,616,684, according to the attachment submitted to the audit, the balance was Rs 7,430.582 and Rs 7,932,019, respectively, a difference of Rs 553,960 and Rs 684,665 was observed.
- (ii) As the motor vehicles were depreciated more by Rs.6, 107,960 in the previous year, the profit of the year under review was shown less than that value. As this that motor vehicle had been depreciated more by Rs.2, 343,300 in the previous year, therefore the accumulated depreciation of Rs.8,451,259 was overstated and the accumulated profit was understated by that amount.
- (jj) Although the decrease in trade and other receivable balance is Rs.116, 129,364, that value in the cash flow statement is about Rs. 108,094,364 and there was a difference of Rs.8, 035,000.
- (kk) 13,321,663 rupees was given as amortization for the right to use assets in the year of review, but the comparative values of the related previous year were not provided.

As described above, I have not been able to confirm or verify by alternative methods the quantitative items included in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows. For this reason, I am unable to ascertain whether the Financial Condition, Statement of Comprehensive Income Statement, Change of equity Statement, Cash Flow Statement, or the recorded or unrecorded values of items or items are subject to any adjustment in respect of transactions.

1.3 Other information included in the Company's 2020 Annual Report

Information included in the Company's 2020 Annual Report, but not included in the Financial Statements and Audit Report thereon, means other information, which is expected to be provided to me after the date of this audit report. Management is responsible for this other information.

My report does not cover other information regarding financial statements and I do not express any guarantees or opinions about them.

In connection with my audit of the financial statements, my responsibility is to read, when available, the other information identified above and to consider whether it is materially inconsistent with other consolidated financial statements or with my knowledge obtained during the audit or otherwise.

If, while reading the 2020 Annual Report of the Board, I conclude that there are quantitative misstatements, the same should be communicated to the controlling parties for correction. If there are any further uncorrected misrepresentations, they will be included in the report tabled by me in Parliament in due course in terms of Article 154 (6) of the Constitution.

1.4 Responsibility of the parties managing and controlling the financial statements

It is the management's responsibility to prepare and fairly present these statements in accordance with Sri Lankan accounting standards and to determine the internal controls necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, determining the going concern of the company is the responsibility of the management, and if the management intends to close the company It is also the management's responsibility to keep the account on a going concern basis and to disclose matters related to the going concern of the company, except if there is no other option to stop operations.

Controlling parties are responsible for the company's financial reporting process.

In terms of sub-section 16 (1) of the National Audit Act No. 19 of 2018, the company shall maintain proper books and records of its income, expenditure, assets and liabilities to enable it to prepare annual term financial statements.

1.5 Auditor's Responsibility in Auditing Financial Statements.

Based on the audit conducted in accordance with the Sri Lankan Auditing Standards, it is my responsibility to issue the audit report on the declarations of the Board of Directors. However, due to the matters described in the Basis for Opinion section, I was unable to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

2. Report on other legal and regulatory requirements.

- 2.1 The National Audit Act No. 19 of 2018 and company Act No. 7 of 2007 contain special provisions regarding the said requirements.
- 2.1.1 Section 163 (2) (d) of the Companies Act No. 7 of 2007 and as required by Section 12 (a) of the Audit Act No 19 2018 I have not been able to obtain all the information and explanation required for the audit and I have not been able to determine that the Company has maintained proper financial records as shown by my examination.
- 2.1.2 The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No. 07 of 2007, except to the effect of the matters set out in the Basis for Disclaimer of Opinion in this report.
- 2.1.3 According to the requirement mentioned in Section 6(1) (d) (iii) of the National Audit Act No. 19 of 2018, the company's financial statements are consistent with the previous year.
- 2.2 Actions adopted and evidence obtained to the extent and substance in limitation, nothing came to my attention enough to make the following remarks.
- 2.2.1. According to the requirement mentioned in Section 12 (d) of the National Audit Act No. 19 of 2018 that any member of the company's board of directors is directly or indirectly related to a subsidiary company outside the ordinary course of business.
- 2.2.2. According to the requirement mentioned in Section 12 (f) of the National Audit Act No. 19 of 2018, except for the following observations, those who have acted in a way that does not comply with any relevant written law or general or special directives issued by the Supervisory Board.

Reference to the regular command

Description

(a) Public Business Circular

No. PED/12 dated June 02 2003

(i) Section 6.5.1

Although 60 days after the end of the financial year and the draft annual report presented by the Auditor General, the financial statements of year 2020 was submitted on August 11, 2023. Accordingly, there was a delay of 910 days.

(ii) Section 4.2.6

although performance reports/ progress reports should be prepared and submitted no such reports were submitted for the year 2020.

(iii) Section 5.1.2

The business plan prepared for 2019 and 2020 did not include the organizational structure and performance indicators that should be included in the business plan.

(b) Public Finance Circular

No. 01/2014 dated

17 February 2014

The financial statement and cash flow statement of the annual budget which should be linked to the prepared action plan and a loan repayment plan for the year were not prepared

2.2.3.

That the powers, duties and functions of the company have not been acted upon as per the requirement mentioned in Section 12 (g) of the National Audit Act No. 19 of 2018.

2.2.4

According to the requirement mentioned in Section 12 (h) of the National Audit Act No. 19 of 2018 except for the following observations, the resources of the company are not used efficiently, and effectively.

(a)

For the establishment of Badalgama Milk Processing Factory, a contract value of Rs.9,718,217,432 (Euro 63,935,641) was contracted as a foreign contract company in 2016 and it was scheduled to be completed in 2019. As of December 31, 2020, Rs. 11,672,291,523 had been spent and the project was being implemented. The contract for the construction of the Badalgama Milk Dairy was given to a foreign construction company outside of the government's procurement guidelines. This project has been implemented as

an unsolicited project and the related procurement guidelines, under section 3 of the supplementary 23, have specified the contractors who must be found with special technical knowledge. (That only impossible projects can be implemented as unsolicited projects.) But since it is possible to find a contractor through international quotations for the construction of such a factory, the minimum bid for the construction cost Rs 9,718,217,432 (Euro 63,935,641) cannot be accepted. Although it is estimated that the dairy factory needs 400,000 liters of liquid milk per day, currently the company can collect only 200,000 liters of liquid milk per day for the other 4 active factories namely Ambewela, Polonnaruwa, Digana and Colombo, so the machines of this Badalgama processing factory It was observed that the full capacity could not be used.

- (b) The procurement files containing the details of the relevant payments for the examination of the procurement activities under the construction of the Polonnaruwa Dairy Factory, by letter No. FLS/C/MILCO/01/2020/2023/Info/01 dated 21 August 2023 but Due to the limitation of the scope of the calculation due to not being submitted for audit, the amount paid during the year under review was Rs. 16,169,330 the audit had not been able to verify the related payment.

2.3. Other matters

- (a) In the balance of allocation for taxes of the head office included in the initial statements of the company, there is a balance of allocation made for income tax fines of Rs.8, 425,296 which has existed for many years and it had not been settled even at the end of the year under review.
- (b) In relation to the trade creditor balance included in the company's financial status note No. 18, submitted to the audit and according to the head office's creditor period analysis, the net creditors from a period between 01 and 05

years amount to Rs.5,825,286 and for a period of more than 05 years. Net creditors from Rs. 6,434,020 were observed to exist.

- (c) The following observations regarding the manufacture of milk powder unfit for human consumption.
- (i) (i) From July 2017, Ambewela New Milk Powder Factory had started production and a 720 metric tons of milk powder produced at a cost of Rs.475.2 million was found to be defective and unfit for human consumption out of milk powder production had produced from that date to January 18, 2018, It was confirmed by the company's laboratory reports and according to the inspection done by the Peradeniya Gannoruwa Veterinary Research Institute; the institute informed on August 07, 2018 that it is appropriate to use this milk powder as an ingredient for **ruminants** food. After receiving complaints from customers, 666,075 kg of the stock of milk powder was still in the warehouse as of 31 December 2020, and due to this, other operational activities of the warehouse have been disrupted and no any investigation has been conducted regarding this loss.
- (ii) In terms of sub-clauses 1.2.1 (c) of the Code of Procurement, there shall be no limitation of participation in the bids or any such implication and arrangements shall be made for any interested parties to participate in the bids, 666,075 kg of milk powder unfit for human consumption. During the call for bids to sell the stock as an ingredient for animal feed, it was observed that the bidders were limited by the conditions of "the entire milk powder should be purchased at once" in the letter inviting bids, and therefore the above stock was still in storage by December 31, 2020.
- (d) According to the debtor period analysis of Polgahawela factory, the fodder debtor balance between 04 and 16 years was Rs.3,306,178 which was 18 percent of the total cattle feed debtor balance and the transport debtor balance between 11 and 16 years was Rs.4,648,233. These are long term debtor balances and remained uncollected.

- (e) The total debtor balance of the Polonnaruwa factory was Rs.52, 488,032, of which Rs.50, 441,873 were sales that exceeded 06 months and the factory's normal credit sales settlement period was 30 days from the date of the invoice Rs.9, 005 and to the Ministry of Education in the year 2018, Rs. 534,140 and in the year 2019 Rs. 40,875,996 had been re-sold by those institutions. No securities were obtained for sales made to the Ministry of Education.
- (f) The advance balance of Rs.958,973 given for the performance of various tasks in the years 2017, 2018 and 2019 included in the head office's advance balance of Rs.6,896,851 was not settled till December 31, 2020. An advance of Rs.3,049,500 was deposited with the National Assets and Resources Development Board on 28 October 2020 for the purchase of dairy cows, but the Goods Receipt Note (GRN) remained unsettled without any action due to disagreement with the invoice. The advance balance of Rs.724,900 included in the above advance balance of Rs.6,896,851 was not settled till August 15, 2023.
- (g) In relation to the current account No. 2065230 of Ambewela factory, according to the bank statement, the balance in the cash book is Rs. 6,812,986, but in the financial statements, the balance is Rs. 6,763,927 and Rs. 49,050 was different and according to the bank statement, the balance of the bank balance in relation to Polonnaruwa factory account No. 005100160000970 was Rs.6,392,960, but in the balance statements, there was a difference of Rs.6,252,967 and Rs.139,993.
- (h) No action was taken till December 31, 2020 regarding the amount of Rs. 94,333 due to the government in the financial statements for a long time.


W.P.C. Wickramaratne
The Auditor General

MILCO (PVT) LTD. FINANCIAL HIGHLIGHT



In Rs. Million

OPERATION RESULTS

Turnover (Net)	Rs. Mn	2020 Jan to Dec	2019 Jan to Dec	2018 Jan to Dec	2017 Jan to Dec	2016 Jan to Dec	2015 Jan to Dec	2014 Apr to Dec	2013/2014 Apr to Mar	2012/2013 Apr to Mar	2011/2012 Apr to Mar
Total expenses		11,104.71	10,313.82	11,612.34	10,161.30	8,679.47	7,584.73	5,627.62	7,019.77	6,385.23	5,263.15
Gross Profit	Rs. Mn	10,965.40	11,256.17	12,094.13	10,767.49	8,352.38	7,597.03	5,385.66	6,879.36	6,683.26	5,518.86
Profit before tax	Rs. Mn	1,401.15	396.28	226.94	375.96	835.60	572.76	770.97	1,005.69	486.43	221.90
Income tax Expenses	Rs. Mn	225.76	(862.71)	(683.45)	(434.93)	339.33	3.82	248.16	161.11	(267.47)	(244.79)
Profit After Tax	Rs. Mn	-	-	201.66	(171.26)	(12.25)	(16.12)	(6.20)	(20.70)	(30.56)	(10.92)
	Rs. Mn	225.76	(862.71)	(481.79)	(606.19)	327.08	(12.30)	241.96	140.41	(298.02)	(255.71)

BALANCE SHEET

Stated Capital	Rs. Mn	2020 Jan to Dec	2019 Jan to Dec	2018 Jan to Dec	2017 Jan to Dec	2016 Jan to Dec	2015 Jan to Dec	2014 Apr to Dec	2013/2014 Apr to Mar	2012/2013 Apr to Mar	2011/2012 Apr to Mar
Retained earnings	Rs. Mn	319.45	319.45	319.45	319.45	319.45	319.45	319.45	319.45	319.45	319.45
Sinking Fund	Rs. Mn	28.79	145.25	785.18	1,183.74	1,665.98	1,257.79	1,230.94	911.97	745.60	1,035.31
Reserve for upgrading / replacement of Plant & Machinery	Rs. Mn	1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69	1.69
Revaluation Reserve	Rs. Mn	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Shareholders fund	Rs. Mn	336.45	336.45	336.45	336.46	336.46	336.46	336.46	336.46	336.46	336.46
	Rs. Mn	653.81	537.35	1,467.78	1,866.34	2,348.58	1,940.39	1,913.53	1,594.57	1,428.20	1,717.91

Non current assts	Rs. Mn	2020 Jan to Dec	2019 Jan to Dec	2018 Jan to Dec	2017 Jan to Dec	2016 Jan to Dec	2015 Jan to Dec	2014 Apr to Dec	2013/2014 Apr to Mar	2012/2013 Apr to Mar	2011/2012 Apr to Mar
Net Current Assets/(Liabilities)	Rs. Mn	19,165.43	19,580.81	19,471.51	17,511.40	14,763.67	12,261.55	8,143.18	2,244.07	2,123.36	2,275.34
Long term/(Deferred Liabilities)	Rs. Mn	801.22	211.35	769.51	1,090.41	1,670.87	(243.15)	(143.37)	431.48	445.67	537.72
	Rs. Mn	19,312.84	19,254.81	18,773.24	16,735.47	14,085.96	10,078.01	6,086.27	1,080.98	1,140.84	1,095.14

RATIOS

Earning per share	Rs.	2020 Jan to Dec	2019 Jan to Dec	2018 Jan to Dec	2017 Jan to Dec	2016 Jan to Dec	2015 Jan to Dec	2014 Apr to Dec	2013/2014 Apr to Mar	2012/2013 Apr to Mar	2011/2012 Apr to Mar
Total Assets to share holders fund	Times	3.65	(27.01)	(15.08)	(18.98)	10.24	(0.39)	7.57	4.40	(9.33)	(8.00)
Net Assets per share	Rs.	32.90	41.11	15.30	11.10	7.41	7.24	5.40	2.84	2.94	2.37
Return on equity	%	20.47	16.82	45.95	58.42	73.52	60.74	59.90	49.92	44.71	53.78
Gross Profit Ratio	%	34.53	(160.55)	(32.82)	(32.48)	13.93	(0.63)	12.64	8.81	(20.87)	(14.88)
Net Profit Ratio	%	12.62	3.84	1.95	3.70	9.63	7.55	13.70	14.33	7.62	4.22
Current Assets Ratio	Times	2.03	(8.36)	(4.15)	(5.97)	3.77	(0.16)	4.30	2.00	(4.67)	(4.86)
Quick Assets Ratio	Times	1.52	1.09	1.35	1.52	2.73	0.88	0.94	1.23	1.27	1.43
	Times	0.79	0.62	0.67	0.69	1.85	0.05	0.66	0.91	0.94	1.04