



Milco (Pvt) Ltd

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

Annual Report 2016

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
cintinuuous improvement initiatives to be
applied in the processing of nutritious food
and beverage to provide our valued
consumers at affordable prices.”



Highland



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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 1982
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. K P P H Mihiripenna - Chairman Mr. Palitha Samarakoon - Deputy Chairman Mr. A A T S Amarasinghe - Working Director Ms. Biyanka N Gamage - Director Mr. M P Sarath Abeyratne - Director Mr. J A S Jayakody - Director Mr. A M R B Alahakoon - Director Mr. B D Mahilal Chandima - Director Mr. M H M Fazal - Director
Auditors	- Internal Ernst & Young Advisory Services (Pvt) Ltd, 201, De Saram Place, Colombo 10. -External M/S SJMS Associates No: 11, Castle Lane, Colombo 4 - Govt: Audit Auditor General
Bankers	- Peoples' Bank - Bank of Ceylon

I am pleased to send this message for the Annual Report 2016 of Milco (Pvt.) Ltd.

As we all know dairy is considered as the most important sub-sector in Sri Lanka livestock industry, since it makes an impact on the growing demand of fresh milk & milk products, because of its potential inflames on the rural economy. In addition to the increase in production and productivity, it is imperative that the markets work for all stakeholders along the dairy value chain.

Milco (Pvt) Ltd is one of the major government owned companies which involves in dairy products and collecting nearly 5.8Mn litres of fresh milk for procession from dairy farmers monthly.

Although, Milco has to implement government policies and subsidies a market oriented dairy marketing is the main objective of our institution in progressing rapid growth of yearly turnover and improvement.

Following are the key achievements during this year.

Operating Environment

Raw milk collection of the year has been increased from 64.6Mn litres to 70Mn litres, which is an increase of 5.4Mn litres, an 8% growth over the previous year. Fetching an average price of Rs.67.44 per litres compared to last year's average price of Rs.63.94. Additionally, raw milk purchase cost was increased by Rs.593Mn which is a 14 % increase from previous year.

Strengths of the company;

It is a reputation for being the leader in local dairy sector for more than 60 years and in these six decades the company has built an unshakable foundation of customer loyalty. As a fully government owned company, we have developed a strong relationship and trust worthiness among our farmers, which is a powerful energy to our institute.

Another strength we possess is our well established, island wide milk collection network, enabling us to have fresh and quality milk which ensures the superior quality of our products. The well trained and loyal staff is the greatest strength of the company.

Achievements and millstones;

A factory modernization project was in progress during the year and under this project, modernization of Polonnaruwa factory had been completed at the latter part of 2015 and Digana factory was completed in 2016. Further, Modernization work of Ambewela factory is in progress during the year.

The Colombo factory will be shifted to a new factory premises at Badalgama, with a processing capacity of 200,000 litres per day. Foundation stone for new factory was laid in May 2016.

Target Achieved and Strategies

In the year 2016, we have established 2 new Milk Chilling Centres and 238 Farmer Managed Societies while assisting to establish 23 milk farms, which can produce 200 litres per day and 22 milk farms, which can produce 100 litres per day. Additionally, the Company took following measures to increase milk collection and those were led to 8% growth in collection during the year.

- Distributions of 150 bull calves and heifers for selected famers in various parts of the country.
- 1412 nos of Milk cans, 15 nos of mini coolers and 11 nos. of Grass Choppers were distributed among the farmers and farmer managed societies.
- Conducted farmer training programs, to enhance the knowledge of them on management of milk farms, effective milking from the cattle... etc.

Gross sales for the year have been increased up to Rs.8, 679Mn from Rs.7, 584Mn while recording a net profit of Rs.327Mn during the year. At the end of the year, there were 132 distribution centres within our distribution network, which included 21 new distribution centres established during the period.

Operating environment in the future

As per the government plans, Sri Lanka to be self-sufficient in milk in future, Being a government own company which is engaged in the dairy industry, company's short and long term goals have been set in line with the same.

The operating environment will continue to be competitive and the threat of new small and medium scale players will continue to be there in future as well.

Way forward

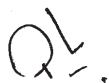
The company had expected a total raw milk in-take of 97Mn litres during the year of 2016 while expanding the collection network. To achieve this targeted collection and improve the quality of milk, the management is in a view to invest in the upgrading of cattle management. It will enable to uplift the farmer's lifestyle though paying higher rate for raw milk than the competitors.

In the meantime, management is in a position to develop the infrastructure facilities in accordance to achieve the targeted revenue of Rs.17 billion in 2017.

My main focus is to uplift this institution to enhance sustainable economic development through a co-operate business strategic plan implementation.

I take this opportunity to thank all pervious Board of Directors who made this valuable contribution to uplift this institute with the support of Line Ministry Secretary and the Minister of the Ministry.

With our team work and commitments I hope we can see a bright future of the institute with rapid progressive mission.



Eng. M. Zulfikar Cader

Chairman

11-06-2018

The Directors of Milco (Pvt) Ltd have pleasure in presenting the Report of the Directors and the Audited Financial Statement for the year ended 31st December 2016.

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 143.9 Mn and depreciation charges are as shown.

BOARD OF DIRECTORS

The following Board of Directors were continued from 01.01.2016

Mr. K.P.P.H. Mihiripenna – Chairman

Mr. P B A Samarakoon – Deputy Chairman

Mr. Tudor S Amarasinghe – Working Director

Ms. Biyanka Gamage – Director - (Representative of the Treasury)

Mr. J. A. S. Jayakody – Director

Mr M P S Abeyrathna – Director

Mr. A M R B Alahakoon – Director

Mr. B D M Chandima – Director

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

Mr. M H M Fazal was appointed w.e.f. 03.02.2016

SHARE INFORMATION

The Stated Capital of the Company in number & value throughout the year under review was Rupees 319.4 Million.

RESERVES

Cumulative profit brought forward of Rupees 1,257,791,931/= adjusted for the current year's Profit Rupees 408,190,506/= 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 and differed Tax is Rupees 12,246,918/= Profits on operating activities are exempted under Section 16 of the Inland Revenue Act No. 10 of 2006.

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.

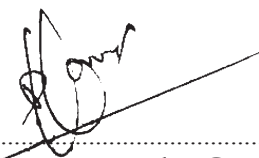
GOING CONCERN

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

M/S SJMS Associates, Chartered Accountants have been nominated by the Auditor General and appointed by the Director General of Department of Public Enterprises at the General Treasury as auditors to audit the Accounts of the Company for the year ended 31.12.2016. As far as the Directors are aware, the Auditors do not have any relationship with the Company nor its subsidiaries that would have an impact on their independence.

FOR AND ON BEHALF OF THE BOARD,

A handwritten signature in black ink, appearing to be "R. S. Jayasinghe", is written over a horizontal dotted line.

Secretary to the Company

Financial Services & Commercial Agencies (Pvt) Ltd.
(Sec/555/91) No. 300/3, Nawala Road, Nawala

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 line 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 Ernst & 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 the 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.



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මගේ අංකය
எனது இல.
My No.

FLS/C/MILCO/16/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

30 November 2018

To the Shareholder of the
Milco (Private) Limited

Report of the Auditor General on the Financial Statements of the Milco (Private) Limited for the year ended 31 December 2016

The audit of the financial statements of the Milco (Private) Limited ("the Company") for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. In carrying out this audit I was assisted by a firm of Chartered Accountants in public practice.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Sri Lanka Auditing Standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph; however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

- (a) The capital project for the yoghurt mix plant which is valued at Rs.104,177,779 was initially recorded under Capital Work-in- Project (CWIP) until the end of November 2016. Subsequently this was capitalized in December 2016. However, there were no ongoing production operations and the asset has been idling for a long period of time, although it is



in working condition as certified by the Engineers. Therefore, the plant is currently in a dormant position. However, the above asset had not been tested for impairment as at the reporting date as well as for the previous period. As a result I was unable to satisfy myself as to the valuation of the same as at the 31 December 2016. Further, a modified opinion on the financial statements for preceding year has been expressed based on this fact.

- (b) Cost incurred on the modernization of three factories of the Company amounted to Rs.6,189,574,828 and the cost incurred for setting up of a dairy processing plant at Badalgama amounted to Rs.4,831,791,167. However, based on the current management reports/correspondence and inquiries made with the management, it was revealed that the expected milk supply would not be sufficient to support the enhanced capacity of the Company. This is an indication of impairment of the balance stated as mentioned above and hence, needs to be tested for impairment as required by **LKAS 36 – Impairment of Assets**. However, the said assets have not been tested for impairment as at the reporting date. As a result, I was unable to satisfy myself as to the valuation of the same as at the reporting date. This matter is continuing form the previous period and a modified opinion on the financial statements for the preceding year has been expressed based on this matter.
- (c) According to the records maintained by the Company, the Ministry of Finance of Sri Lanka (General Treasury) has advanced Rs. 13,212,970,600 for modernization of three factories and construction of a new factory at Badalgama. The said amount is stated as loan from the treasury in the financial statements. I have not received a written confirmation from the General Treasury confirming the amount advanced to the Company as at the reporting date. According to the external resources website of the Ministry of Finance only Rs.10,859,986,560 had disbursed on behalf of the Company. However, I have not received any valid explanation for the difference of Rs. 2,304,813,243. Further, a loan agreement was not available for the funds advanced for constructing the Badalgama factory amounting to Rs. 6,832,729,503. Therefore, the terms and conditions of repayments are not known. Furthermore, I have not received any written confirmation from General Treasury in this regard.
- (d) The Government of Sri Lanka (General Treasury) has granted loans to the Company for the purpose of modernizing the factories. As per the agreement, the Company should pay a 2 per cent interest to the General Treasury if they default on the payments during the determined timeline. However, no settlement has taken place up to now. Further, no interest



has been accrued in the financial statements in this connection. Thereby, the Company has understated its liability approximately by Rs.117 million as at the reporting date and overstated the profit for the year under review by similar amount.

- (e) It was observed that there were non-moving items worth Rs.30,890,878 and slow-moving items worth Rs.35,557,148 recognized under inventory without being tested for as an indication of impairment and further, no provisions have been made on the said balance. In the meantime, although the Company has already made a provision of Rs.11,352,785 against inventory balances, the details of such inventory provisions were not provided to ensure the accuracy of the computation of such a provision.
- (f) I was not provided with the requested supporting documents for the following balances. Therefore, I was unable to ensure the accuracy and validity of such a balance.

Description	Requested document	Amount
		Rs.
Cattle Feed	Breakup and age analysis	7,856,860
Milk Can Advance	Breakup for the balance	16,114,541
Distress Loan (Non Ex)	Breakup for the balance	41,076,727
Distress Loan (Ex)	Breakup for the balance	21,377,987
Accrued Expenses	Subsequent settlement details	4,207,457
Other Creditors	Subsequent settlement details	12,005,844
Capital Work-in Progress	Supporting documents for the given samples	21,895,870
	Total	124,535,286

- (g) The Company has not conducted a complete verification of fixed assets for several years. Therefore, I was unable to satisfy myself in relation to existence of fixed assets recorded in the financial statements as at the end of the reporting date.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.



Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act, No.07 of 2007, I state the followings:

- a. The basis of opinion and scope and limitations of the audit are as stated above.
- b. In my opinion :
 - I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.



H.M. Gamini Wijesinghe
Auditor General

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2016

		For the Year Ended 31 st December, 2016 Rs.	For the Year Ended 31 st December, 2015 Rs.
	Note		
Revenue	3	8,679,465,305	7,584,727,777
Cost of Sales		(7,843,867,888)	(7,011,965,727)
Gross Profit		835,597,417	572,762,050
Other Operating Income	4	264,476,173	353,057,479
		1,100,073,590	925,819,529
Administrative Expenses		(533,369,403)	(617,282,945)
Distribution Expenses		(233,496,881)	(201,941,435)
Other Expenses	5	(4,278,759)	(67,777,030)
Profit from Operations		328,928,548	38,818,119
Finance Income	6	62,078,442	73,076,212
Finance Expenses	7	(51,675,441)	(108,076,590)
Net Profit Before Taxation	8	339,331,549	3,817,741
Income Tax Expenses	9	(12,246,918)	(16,117,252)
Net Profit/(Loss) for the Year after Taxation		327,084,631	(12,299,511)
Other Comprehensive Income			
Item that will not be reclassified subsequently to profit or loss:			
Remessurement of Defined Benefit Plan, Net of Taxes		81,105,874	39,155,812
Total Other Comprehensive Income Net of Tax		81,105,874	39,155,812
Total Comprehensive Income		408,190,505	26,856,301
Basic Earning/(Loss) Per Share	10	10.24	(0.39)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 09 to 41 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2016



		As at 31st December, 2016 Rs.	As at 31st December, 2015 Rs.
ASSETS	Note		
Non-Current Assets			
Property, Plant and Equipment	11	1,460,028,918	1,479,986,458
Capital Work-In-Progress	12	11,132,551,197	6,735,781,479
Financial Instrument - Amortised cost	17	413,952,000	967,851,460
Long-term Advances	13	1,757,139,993	3,077,925,645
Total Non-Current Assets		14,763,672,108	12,261,545,042
Current Assets			
Inventories	14	849,112,507	649,969,734
Trade and Other Receivables	15	1,157,290,197	911,398,037
Income Tax Receivable	16	40,063,729	21,393,847
Financial Instrument - Held to Maturity	17	555,450,659	168,957,435
Cash and Cash Equivalents	18	32,075,368	33,253,707
Total Current Assets		2,633,992,459	1,784,972,760
Total Assets		17,397,664,567	14,046,517,802
EQUITY AND LIABILITIES			
Stated Capital and Reserves			
Stated Capital	19	319,454,060	319,454,060
Capital Reserve	20	25,000,000	25,000,000
Revaluation Reserve		336,454,463	336,454,462
Sinking Fund	21	1,689,978	1,689,978
Retained Earnings		1,665,982,437	1,257,791,931
Shareholders' Fund		2,348,580,937	1,940,390,431
Non-Current Liabilities			
Deferred Tax Liability	22	31,663,933	28,214,500
Non-interest Bearing Borrowings	23	2,108,063	2,108,063
Interest Bearing Borrowings - Long-Term	23	13,500,039,587	5,671,067,321
Payable to the Treasury of Government of Sri Lanka	23	-	3,799,067,113
Retirement Benefit Obligations - Gratuity	24	477,636,427	516,891,001
Deferred Income - Government Grant	25	74,511,519	60,662,036
Total Non-Current Liabilities		14,085,959,529	10,078,010,034
Current Liabilities			
Trade and Other Payables	26	698,308,209	488,262,509
Interest Bearing Borrowings - Short Term	23	89,806,681	1,119,615,137
Bank Overdrafts	27	175,009,212	420,239,691
Total Current Liabilities		963,124,102	2,028,117,337
Total Equity and Liabilities		17,397,664,567	14,046,517,802

Figures in brackets indicate deductions.

The accounting policies and notes on pages 09 to 41 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.

.....
Mr. M. G. P. Premathilaka
Finance Manager

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 13.06.2018

.....
Mr. M. Zulfikar Cader
Chairman

.....
Mr. Nihal Edirisinghe
Working Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2016

	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Sinking Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st January 2015	319,454,060	25,000,000	336,454,462	1,689,978	1,230,935,630	1,913,534,130
Net Loss for the Year	-	-	-	-	(12,299,511)	(12,299,511)
Other Comprehensive Income	-	-	-	-	39,155,812	39,155,812
Balance as at 31st December 2015	<u>319,454,060</u>	<u>25,000,000</u>	<u>336,454,462</u>	<u>1,689,978</u>	<u>1,257,791,931</u>	<u>1,940,390,431</u>
Net Profit for the Year	-	-	-	-	327,084,631	327,084,631
Other Comprehensive Income	-	-	-	-	81,105,874	81,105,874
Balance as at 31st December 2016	<u><u>319,454,060</u></u>	<u><u>25,000,000</u></u>	<u><u>336,454,463</u></u>	<u><u>1,689,978</u></u>	<u><u>1,665,982,437</u></u>	<u><u>2,348,580,937</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 09 to 41 form an integral part of these Financial Statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2016



	As at 31st December, 2016 Rs.	As at 31st December, 2015 Rs.
Cash Flow from Operating Activities		
Net Profit Before Taxation	339,331,549	3,817,741
Adjustments for ;		
Depreciation on Property, Plant and Equipment	268,073,500	260,027,049
Income from Investment	(62,078,442)	(73,076,212)
Write Back of Tax overprovision	-	(161,291,918)
Interest Expense	48,225,450	93,512,932
Lease Interest	3,387,156	9,267,133
Recognized Income on Deferred Grants	(21,697,268)	(22,222,444)
Provision for Bad and Doubtful Debts	2,599,134	993,655
Exchange Gain	(14,190,678)	(67,851,169)
Provision for Defined Benefit Plans - Gratuity	82,436,290	79,207,709
Provision for non moving inventory	743,577	-
Write Off of Discarded Goods	-	2,676,936
Operating Profit Before Working Capital Changes	646,830,267	125,061,413
(Increase)/Decrease in Inventories	(199,886,350)	1,896,150
(Increase)/Decrease in Trade and Other Receivables	(245,501,545)	296,064,588
Increase/(Decrease) in Trade and Other Payables	210,045,700	(259,749,770)
Cash Generated from Operations	411,488,073	163,272,380
Interest Paid	(48,225,450)	(93,512,932)
Tax Paid - ESC and Income Tax	(39,468,879)	(23,251,674)
Payment of Defined Benefit Plans - Gratuity	(31,573,226)	(20,374,268)
Net Cash Flow From Operating Activities	292,220,518	26,133,506
Cash Flow from Investing Activities		
Acquisition of Property, Plant and Equipment	(235,075,959)	(63,676,962)
Investments in Property, Plant and Equipment in the Course of Construction	(3,072,931,068)	(1,265,330,811)
Long term advances paid	-	(3,077,925,645)
Loan Received from Treasury	-	4,345,757,033
Interest Received	62,078,442	73,076,212
Withdrawal/(New) Short-Term and Long-Term Investment (Net)	181,596,914	211,084,360
Net Cash From/(Used In) Investing Activities	(3,064,331,670)	222,984,187
Cash Flow from Financing Activities		
Government Grant Received	35,546,751	3,017,633
Lease Rental Paid	(21,648,426)	(48,707,299)
During the Year Loan Granted	3,082,050,144	-
Loans and Borrowings Repayments	(79,785,177)	(78,628,337)
Net Cash From/(Used In) Financing Activities	3,016,163,292	(124,318,003)
Net Increase in Cash and Cash Equivalents	244,052,139	124,799,690
Cash and Cash Equivalents at the Beginning of the Year (Note A)	(386,985,984)	(511,785,674)
Cash and Cash Equivalents at the End of the Year (Note B)	(142,933,845)	(386,985,984)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2016

	As at 31st December, 2016 Rs.	As at 31st December, 2015 Rs.
At the Beginning of the Year		
Balances at Banks	27,273,015	22,813,784
Petty Cash in Hand	5,980,692	3,798,143
	<u>33,253,707</u>	<u>26,611,927</u>
Bank Overdrafts	(420,239,691)	(538,397,601)
	<u>(386,985,984)</u>	<u>(511,785,674)</u>
At the End of the Year		
Balances at Banks	31,668,018	27,273,015
Petty Cash in Hand	407,350	5,980,692
	<u>32,075,368</u>	<u>33,253,707</u>
Bank Overdrafts	(175,009,212)	(420,239,691)
	<u>(142,933,845)</u>	<u>(386,985,984)</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 09 to 41 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 for the Joint Venture. Although the Joint Venture Agreement is no longer in force, the company has not made appropriate adjustments in the accounts in respect of the said Government land and buildings.

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 and Polonnaruwa.

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, 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 2nd May 2018

1.1.4 Responsibility for Financial Statements

The board of directors is 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 with the exception of certain assets and liabilities at fair value.

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, 2016 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 have been prepared on 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.

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 years
Plant and Machinery	04 to 15 years
Furniture and Fittings	03 to 05 years
Laboratory Equipment	03 to 05 years
Motor Vehicles	08 to 15 years
Tools and Equipment	03 to 10 years
Office Equipment	2.5 to 05 years
Bottles and Crates	04 years
Computers	02 to 04 years
Bottle Coolers	2.5 to 05 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) 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 Leases

a) Finance Leases – Where the Company is the Lessee

Leases which assume that transfer substantially all the risks and rewards incidental to the ownership are classified as finance leases. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value or the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses.

The corresponding principal amount payable to the lessor is shown as a liability. The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to the statement of comprehensive income over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to, or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

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 amortized over the lease term.

b) Operating Leases

Leases where the lessor effectively retains substantially all the risks and rewards of an asset under the leased term, are classified as operating leases.

Lease payments (excluding cost of service such as insurance and maintenance) paid under operating leases are recognized as an expense in the statement of comprehensive income over the period of the lease on a straight line basis.

1.3.3 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.

1.3.3 Impairment of Non-Financial Assets – (Contd..)

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.

1.3.4 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.

1.3.5 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.

1.3.5.1 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.

1.3.5.2 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 repurchasing 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'.

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.

1.3.5.3 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.

1.3.5.3 De-Recognition – (contd..)

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.

1.3.5.4 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.

1.3.6 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.

1.3.6.1 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.

1.3.6.2 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 a 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.

1.3.6.3 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.

1.3.6.4 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.

1.3.7 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.

1.3.8 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 the impact is not material.

1.3.9 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.

1.3.10 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.

1.3.11 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.

1.3.12 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.

1.3.13 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.

1.3.14 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.

1.3.15 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. 24. 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.

1.3.16 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 Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the services rendered in the ordinary course of the company activities. Revenue is recorded at invoiced value net of brokerage, selling expenses and other levies related to turnover.

(a) Sale of Goods

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred can be reliably measured. Revenue is measured at fair value of the consideration received or receivable net of trade discounts and sales taxes. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

(b) Interest Income

Interest income is recognized using the effective interest method.

(c) Dividend Income

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

(d) Other Income

Other income is recognized on accrual basis.

1.3.19 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.

2. EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective upto the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

i) SLFRS 9 - Financial Instruments

SLFRS 9 reflects the replacement of LKAS 39 and applies to classification and measurement, impairment and hedge accounting of financial assets and Liabilities.

SLFRS 9 will change the below:

- New impairment requirements for all financial assets that are not measured at fair value through profit or loss
- Amendments to the previously finalised classification and measurement requirements for financial assets

Under SLFRS 9, the impairment model is a more 'forward looking' model in that a credit event no longer has to occur before credit losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income (FVTOCI), an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

In other changes, SLFRS 9 also introduces additional application guidance to clarify the requirements for contractual cash flows of a financial asset to be regarded as giving rise to payments that are Solely Payments of Principal and Interest (SPPI).

A third measurement category has also been added for debt instruments – FVTOCI, which applies to debt instruments that meet the SPPI contractual cash flow characteristics test and where the entity is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

This standard will be effective for the financial period beginning on or after 01st January, 2018.

The first time application of SLFRS 9 has a wide and potentially very significant impact on the accounting for financial instruments. The new impairment requirements are likely to bring significant changes for impairment provisions for Loans and Advances, Lease Rental receivables, hire purchases and other financial assets not measured at fair value through profit or loss.

The company has not yet made a detailed assessment of the impact of this standard.

ii) SLFRS 15 - Revenue from Contracts with Customers

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as it is currently the case under LKAS 18 Revenue.

To accomplish this, SLFRS 15 requires the application of a five-step model:

1. Identify the contract,
2. Identify the performance obligations,
3. Determine the transaction price,
4. Allocate the transaction price to each performance obligation,
5. Recognise revenue when each performance obligation is satisfied.

This standard will be effective for the financial period beginning on or after 01st January, 2018.

The company has not yet made a detailed assessment of the impact of this standard.

iii) The following new Accounting Standards and amendments to existing standards are not expected to have an impact on the Financial Statements,

- Agriculture: Bearer Plants (Amendments to LKAS 16 on 'Property, Plant and Equipments' and LKAS 41 on 'Agriculture') – Effective date – 01st January, 2016.
- Regulatory Deferral Assets – SLFRS 14 – Effective Date 01st January, 2016.

	For the Year Ended 31st December, 2016 Rs.	For the Year Ended 31st December, 2015 Rs.
3. REVENUE		
Gross Sales	8,856,788,872	7,739,513,356
Nation Building Tax	(177,323,567)	(154,785,579)
	<u>8,679,465,305</u>	<u>7,584,727,777</u>
4. OTHER INCOME		
Redundant Sales	800,235	481,018
Rent Income	72,202	61,359
Registration of Suppliers	2,328,000	3,552,000
Fines and Surcharges	356,326	533,549
Subsidy on Milk Powder Sales	222,910,700	93,527,650
Non-Refundable Deposit	254,500	645,000
Non-Refundable Tender Deposit	546,000	940,000
Deferred Income	21,697,268	22,222,444
Exchange Gain	14,190,678	67,851,169
Cattle Feed Earnings	-	546,425
Sunday Income	196,277	430,483
Surcharges on Returned Cheques	1,123,986	974,464
Write Back of Overprovision	-	161,291,918
	<u>264,476,173</u>	<u>353,057,479</u>
5. OTHER EXPENSES		
Loss on Liquid Milk Sale	(203,925)	1,677,269
Loss on milk transfers	4,482,684	11,235,041
Provision for Subsidy on Milk Payment	-	54,864,721
	<u>4,278,759</u>	<u>67,777,030</u>
6. FINANCE INCOME		
Interest on Call/Fixed Deposit - Local	33,685,575	40,738,354
Interest on Fixed Deposit - Foreign Currency (USD)	21,915,550	25,938,787
Interest on Staff Loans	6,477,317	6,399,071
	<u>62,078,442</u>	<u>73,076,212</u>

	For the Year Ended 31 st December, 2016 Rs.	For the Year Ended 31 st December, 2015 Rs.
7. FINANCE COSTS		
Interest on Finance Lease	3,449,991	9,267,133
Interest on Loans	36,791,050	54,401,805
Commitment Fee	-	5,296,525
Interest on Bank Overdrafts	11,434,400	39,111,127
	<u>51,675,441</u>	<u>108,076,590</u>

8. PROFIT BEFORE TAXATION

Profit Before Taxation is Stated After Charging all Expenses including the following :

Directors' Remuneration	4,520,000	6,807,283
Audit Services		
- Internal Audit Services	3,337,005	1,454,847
- External Audit Services	650,000	603,750
Depreciation on Property, Plant and Equipment	268,073,500	260,027,049
NBT Expenses	177,323,567	154,785,579
Advertising and Sales Promotions	57,130,315	44,522,488
Legal Expenses and Professional Fee	2,249,738	3,686,232
Provision for Impairment	2,599,134	993,655
Repairs and Maintenance Expenses	31,783,468	57,577,896
Staff Costs		
- Salaries, Wages and Allied Expenses	748,407,292	833,843,988
- Defined Contribution Plan Costs - E.P.F and E.T.F	153,339,657	82,323,454
- Defined Benefit Plan Costs - Gratuity	82,436,290	35,701,251

		For the Year Ended 31st December, 2016 Rs.	For the Year Ended 31st December, 2015 Rs.
	Note		
9. INCOME TAX EXPENSES			
Current Income Tax Provision	9.1	17,809,248	15,932,842
Deferred Tax Charge for the Year	22	3,449,433	4,535,056
Deferred Tax Charge against other comprehensive income		(9,011,764)	(4,350,646)
		<u>12,246,918</u>	<u>16,117,252</u>
9.1 Reconciliation Between Current Tax (Income)/Expenses and the Product of Accounting Profit/(Loss)			
Accounting Profit Before Taxation		339,331,549	3,817,741
Less: Income Considered Separately		<u>(62,078,442)</u>	<u>(73,076,212)</u>
Profit from Trade or Business		277,253,107	(69,258,471)
Less: Net allowable and Disallowable Expenses for Tax Purpose		<u>(43,427,564)</u>	<u>267,241,697</u>
Business (Loss)/Profit Applicable Taxation		233,825,542	197,983,226
Tax Rate		10%	10%
Exempt Other Income		21,915,550	25,938,787
Liable Other Income		40,162,892	47,137,425
Accounting Profit/Loss Chargeable to Income Taxes			
Tax Rate		10%	10%
Tax on Chargeable Profit or Income		27,398,843	24,512,065
Tax Effect on Deduction Under Section 32		<u>(9,589,595)</u>	<u>(8,579,223)</u>
Provision for the Year (Tax on Adjusted Income @ 10%)		<u>17,809,248</u>	<u>15,932,842</u>
9.2	Income derived from the foreign investment (Fixed Deposit in Foreign Currency) is exempt from income tax as per the provision of the Inland Revenue Act.		

10. 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.

	For the Year Ended 31st December, 2016 Rs.	For the Year Ended 31st December, 2015 Rs.
Net Profit/(loss) Attributable to Ordinary Shares	327,084,631	(12,299,511)
Weighted Average Number of Ordinary Share	31,945,406	31,945,406
	<u>10.24</u>	<u>(0.39)</u>

10.1 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.



a) **Tangible assets**

11.1.1 Revaluation

Milco (Pvt) Ltd revalued its assets except for Buildings, Bottles and Crates, Computer Software, Milk Cans in April, 2008 at an aggregated value of Rs.500,409,271/= by Mr. S.N. Wijepala, Chartered Valuation Surveyor (Dip in Valuation CT, B.Sc. Estate Management, M.S.C-Urban Land Appraisal). The surplus on revaluation amounting to Rs. 336,454,462/- had been credited to revaluation account. Since the revaluation reserve was accounted as at 31st March, 2009 there is an impact on depreciation charge thereafter.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016



12. CAPITAL WORK-IN-PROGRESS

	Balance As At 01.01.2016 Rs.	Incurred During the Period Rs.	Capitalized During the Period Rs.	Balance As At 31.12.2016 Rs.
Construction of Waste Water Treatment Plant	16,345,529	-	-	16,345,529
Construction of New Milk Factory - Badalgama	429,172,328	4,402,618,839	-	4,831,791,167
Construction of Gatabe Sales Outlet	150,000	-	-	150,000
Installation of Cup & Cone Filler - DMF	15,445,587	-	-	15,445,587
Digana Canteen	1,315,623	692,216	2,007,839	-
Yoghurt Mix Plant	104,177,780	-	104,177,780	-
Modernization of Factories- Polonnaruwa, Ambewela and Digana (Refer Note 22) *	6,167,678,958	21,895,870	-	6,189,574,828
Milk Collecting Centres - Digana	1,495,674	166,186	1,661,860	-
Power Upgration Project- SDMF	-	68,895,393	-	68,895,393
Lorry Chassis Under Development- PMF	-	6,965,000	-	6,965,000
Establishment of Generators at Chilling Centres	-	3,383,693	-	3,383,693
	<u>6,735,781,479</u>	<u>4,504,617,197</u>	<u>107,847,479</u>	<u>11,132,551,197</u>

12.1 As detailed in note no 23 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, 2016 Rs.	As at 31 st December, 2015 Rs.
13. LONG TERM ADVANCES		
Advance to DESMI - Relocate CMF to Badalgama		
Balance at the beginning of the year	3,077,925,645	-
Advances paid during the year	-	3,077,925,645
Transferred to Capital Work in Progress	(1,320,785,652)	-
Balance at the end of the year	<u>1,757,139,993</u>	<u>3,077,925,645</u>

As detailed in note no 28 (b) 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)

14. INVENTORIES			
Raw and Packing Materials	14.1	251,076,100.59	172,177,777
Work-in-Progress		4,967,059.48	6,282,572
Finished Goods		258,751,809.18	153,986,791
Consumables	14.2	328,656,572	292,150,329
Goods in Transit	14.3	17,757,327	36,725,050
Provision for Inventory	14.4	(12,096,362)	(11,352,785)
		<u>849,112,507</u>	<u>649,969,734</u>

14.1 Raw and Packing Materials			
Raw Materials - Dairy Production		56,645,845	15,838,174
Packing Material		157,320,755	132,039,034
Raw and Packing Materials - Cattle Feed		-	3,016,521
Raw Milk Stock		30,072,997	13,585,878
Bottle Cooler Stock		3,496,313	4,157,980
Drugs and Other Stock		3,540,190	3,540,190
		<u>251,076,101</u>	<u>172,177,777</u>

14.2 Consumables			
General Stores		37,901,761	32,916,919
Engineering Stores		254,807,537	224,291,349
Motor Stores		13,667,472	10,894,011
Fuel and Lubricant Stores		15,218,495.76	16,986,743
Milk Can Stock		7,061,307	7,061,307
		<u>328,656,572</u>	<u>292,150,329</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016



	As at 31 st December, 2016 Rs.	As at 31 st December, 2015 Rs.
14.3 Goods In Transit		
Finished Goods in Transit	6,295,715	31,752,069
Goods in Transit Lab Equipment	157,789	125,798
Raw Milk In Transit	9,484,572	2,907,183
Yogurt Culture	1,819,251	1,940,000
	<u>17,757,327</u>	<u>36,725,050</u>
14.4 Provision For Inventory		
Packing Material	(10,163,806)	(10,082,202)
General Stores	(332,731)	(213,355)
Engineering Stores	(1,523,655)	(986,334)
Fuel Stores	(76,170)	(70,894)
	<u>(12,096,362)</u>	<u>(11,352,785)</u>
14.5	Inventories pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in Note No. 32 to these financial statements.	

		As at 31 st December, 2016 Rs.	As at 31 st December, 2015 Rs.
15. TRADE AND OTHER RECEIVABLES			
Trade Receivables	15.1	639,445,005	575,924,898
Receivable from the Government of Sri Lanka	15.2	53,986,998	24,790,995
Other Debtors		39,177,172	18,305,151
Advances, Deposits and Prepayments		229,213,111	130,838,480
Staff Debtors		155,953,668	156,911,216
Import Control		39,514,242	4,627,297
		<u>1,157,290,197</u>	<u>911,398,037</u>
15.1 Trade Receivables			
Total Debtors		691,136,515	625,017,274
Less: Provision for Impairment		(51,691,510)	(49,092,376)
		<u>639,445,005</u>	<u>575,924,898</u>
15.2 Receivable from the Government of Sri Lanka			
Receivable from the Ministry of Livestock and Development		6,879,542	6,792,787
Receivable from Government of Sri Lanka - Milk Subsidiary		495,543,106	466,433,857
Receivable from Parliament Affairs		94,333	94,333
		<u>502,516,981</u>	<u>473,320,977</u>
Less: Provision for Impairment		(448,529,982)	(448,529,982)
		<u>53,986,998</u>	<u>24,790,995</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016



	As at 31 st December 2016 Rs.	As at 31 st December 2015 Rs.
16. INCOME TAX RECEIVABLE		
Income Tax Receivables	-	5,461,005
WHT Receivables	-	4,100,575
ESC Receivables	52,597,380	11,832,267
Charge for the year	(12,533,651)	-
	<u>40,063,729</u>	<u>21,393,847</u>
17. FINANCIAL INSTRUMENT - CARRIED AT AMORTISED COST		
17.1 Long-Term Fixed Deposits		
Fixed Deposits - BOC - US \$	413,952,000	717,851,460
Fixed Deposits - PB	-	250,000,000
	<u>413,952,000</u>	<u>967,851,460</u>
Investments pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in note no. 32 to these financial statements.		
17.2 Short-Term Fixed Deposits		
Bank of Ceylon - Overseas Customer Unit	-	300,509
Fixed Deposits - People's Bank	555,450,659	168,652,884
Call Deposits	-	4,042
	<u>555,450,659</u>	<u>168,957,435</u>
18. CASH AND CASH EQUIVALENTS		
Balances at Banks	31,668,018	27,273,015
Petty Cash in Hand	407,350	5,980,692
	<u>32,075,368</u>	<u>33,253,707</u>
19. STATED CAPITAL	No of Shares	
Issued and fully paid	31,945,406	<u>319,454,060</u> <u>319,454,060</u>
20. CAPITAL RESERVE		
20.1 Acquisition and Upgrading of Plant and Machinery	<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 31 st December 2016 Rs.	As at 31 st December 2015 Rs.
21. 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.		
22. DEFERRED TAX LIABILITY		
At the Beginning of the Year	28,214,500	23,679,444
Charge (to)/from Statement of Comprehensive Income	3,449,433	4,535,056
At the End of the Year	<u>31,663,933</u>	<u>28,214,500</u>
22.1 Tax effect on Temporary Difference on Property, Plant and Equipment	96,477,386	95,096,024
Tax effect on Temporary Difference on Retirement Benefit Obligations	(47,763,643)	(51,689,100)
Less: Tax effect on Temporary Differences on Tax Losses	(17,049,810)	(15,192,423)
Probable Deferred Tax Liability	<u>31,663,933</u>	<u>28,214,501</u>
The deferred tax assets arising from carry forward of unused tax losses have been recognized only to the extent of 35% of the net taxable temporary difference available against which the unused tax losses can be utilized.		
23. LOANS AND BORROWINGS		
23.1 Interest Bearing Borrowings		
Payable within One Year 23.1.1, 23.1.2 and 23.1.3	89,806,681	1,119,615,137
Payable after One Year 23.1.1, 23.1.2 and 23.1.3	13,500,039,587	5,671,067,321
	<u>13,589,846,268</u>	<u>6,790,682,458</u>
23.1.1 Gross Lease Creditor		
Balance at the Beginning of the Year	48,763,107	97,470,406
During the Year Additions	20,372,256	-
During the Year Payments	(21,648,426)	(48,707,299)
Balance at the end of the Year	<u>47,486,937</u>	<u>48,763,107</u>
Interest in Suspense		
Balance at the Beginning of the Year	6,844,598	16,111,732
On Lease Facility Obtained During the Year	4,279,256	-
Amount Transferred to Statement of Comprehensive Income	(3,387,156)	(9,267,134)
Balance at the End of the Year	<u>7,736,698</u>	<u>6,844,598</u>
Net Liability	<u>39,750,240</u>	<u>41,918,509</u>
Current Maturity Portion	11,481,220	19,693,414
Long-Term Maturity Portion	28,269,020	22,225,095
	<u>39,750,240</u>	<u>41,918,509</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016



23.1.2 Bank Loans and Borrowings

	As at 31 st December 2016 Rs.	As at 31 st December 2015 Rs.
Balance at the Beginning of the Year	416,910,606	495,538,943
Less: During the Year Payments	(79,785,177)	(78,628,337)
Balance at the End of the Year	337,125,429	416,910,606
Current Maturity Portion	78,325,461	79,469,260
Long-Term Maturity Portion	258,799,968	337,441,346
	337,125,429	416,910,606

Assets pledged as collaterals to above loans and borrowings are disclosed in note no. 32 to these financial statements.

23.1.3 Borrowings From Treasury of The Government of Sri Lanka

	As at 31 st December, 2016 Rs.	As at 31 st December, 2015 Rs.
Balance at the Beginning of the Year	6,331,853,343	765,148,436
Granted During the Year	6,881,117,257	5,566,704,907
Balance at the End of the Year	13,212,970,600	6,331,853,343
Current Maturity Portion	-	1,020,452,463
Long-Term Maturity Portion	13,212,970,600	5,311,400,880
	13,212,970,600	6,331,853,343

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.

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

	As at 31st December 2016 Rs.	As at 31st December 2015 Rs.
23.2 Non-Interest Bearing Borrowings		
Long-Term Portion		
National Milk Board	2,108,063	2,108,063
	<u>2,108,063</u>	<u>2,108,063</u>
23.3 Payable to the Treasury of Government of Sri Lanka		
Long-Term Payables on shipments received	-	300,640,103
Long Term Payables on Badalgama Relocation of Milk factory	-	3,498,427,010
	<u>-</u>	<u>3,799,067,113</u>
24. RETIREMENT BENEFIT OBLIGATION - GRATUITY		
Balance at the Beginning of the Year	516,891,001	501,564,018
Current Service Cost	25,578,280	29,051,307
Interest Cost	56,858,010	50,156,402
(Gain)/ Loss from Changes in Assumption	(90,117,638)	(43,506,458)
Payment Made During the Year	(31,573,226)	(20,374,268)
Balance at the End of the Year	<u>477,636,427</u>	<u>516,891,001</u>

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, 2016. 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	10% p.a
Discount Rate	12.11% p.a	11% p.a
Staff Turnover Factor	5% p.a	5% p.a
Maximum Retirement Age	60 Years	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%	*	(29,588,144)	448,048,283
-1%	*	33,264,399	510,900,826
**	1%	35,787,004	513,423,431
**	-1%	(32,281,880)	445,354,547

* Salary Increment Rate 10% for the Company

** Discount Rate 12.11%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2016



Maturity analysis of retirement benefit obligation.

The following payments are expected on employee benefit liabilities in future years

	As at 31 st December 2016 Rs.	As at 31 st December 2015 Rs.
within the next 12 months	49,882,617	53,155,309
Between 1-2 years	87,518,757	47,239,160
Between 2-5 years	103,009,986	119,196,187
Between 5-10 years	126,544,937	140,366,392
Beyond 10 years	110,680,130	156,933,953
Total	477,636,427	516,891,001
25. GOVERNMENT GRANT		
25.1 Balance at the Beginning of the Year	60,662,036	79,866,848
Grant Received During the Year	35,546,751	3,017,633
Grant Recognized to the Statement of Comprehensive Income During the Year	(21,697,268)	(22,222,444)
Balance at the End of the Year	74,511,519	60,662,036
25.2 Deferred Government Grant		
Grant of Samanthurai	1,201,200	1,346,800
Grant of Thimilathive	1,485,000	1,665,000
Grant of Milk Cans	114,392	3,207,024
Grant of Assets	-	209,627
Grant of 14 Sales Outlets	768,750	843,750
Grant of LCRD	42,225,919	53,389,835
Grant of Cooling tanks	28,716,258	-
	74,511,519	60,662,036
26. TRADE AND OTHER PAYABLES		
Trade Creditors	203,927,587	133,475,306
Expense Creditors	168,150,583	149,573,073
Other Payables	326,230,039	205,214,130
	698,308,209	488,262,509
27. BANK OVERDRAFTS		
Bank of Ceylon - 1758	103,910,921	-
Bank of Ceylon - 1766	36,446,915	49,545,772
People's Bank - 41180210331	-	185,454,961
People's Bank - 41120210937	17,170,905	7,927,131
Bank of Ceylon - 1471	2,254,782	1,437,375
Fund Transfers	-	89,366
BOC - Kandy City Branch - 1279942	-	175,785,086
Bank of Ceylon - Nuwara Eliya	772,119	-
People's Bank - 210332	12,067,820	-
Bank of Ceylon	2,385,750	-
	175,009,212	420,239,691

28. 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.

- (a) Total cost of the project approved for the modernization of milk processing factories is Euro 33.7mn which is in progress. As at the reporting date, capital expenditure of Euro 3.3mn is to be released on account of retention.

In order to facilitate implementation of above mentioned factory modernization project, the company entered an agreement with the CECB to enhance the electricity supply for Ambewela factory. Total contract value of the project is Rs.126Mn.

- (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. Overdue charges at 2% per annum, in the event of default of payments.

As at 31st December 2016, the project was in progress, the contractor had received 34 shipments as of 21/02/2017 for a Value of Euro 33,842,930.76 (100% value of shipments received).

29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

29.1 Contingent Liabilities

There are no contingent liabilities as at the reporting date.

29.2 Contingent Assets

There are no contingent assets as at the reporting date.

30. RELATED PARTY DISCLOSURE

30.1 Substantial Shareholding and Ultimate Ownership

The company is a wholly owned government enterprise, which holds 100% ordinary shares of the company. The remunerations of directors and other members of key management during the year were as follows :

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

	For the Year Ended 31 st December, 2016 Rs.	For the Year Ended 31 st December, 2015 Rs.
Short Term Employee Benefits	4,520,000	6,807,283

30.2 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.

30.3 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.

31. COMPARATIVE INFORMATION

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

32. 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 31.12.2016 Rs.	Balance Outstanding As At 31.12.2015 Rs.	Repayment	Assets Pledged
Loan granted by Bank of Ceylon	700,000,000	326,666,560	396,666,580	Repayable in 120 equal monthly instalments of Rs.5,833,335/-	Fixed Deposits Amounting US\$ 4,983,003 of Bank of Ceylon.
Loan granted by Central Finance	12,484,000	4,796,518	7,936,641	Repayable in 60 monthly instalments of Rs.319,586/- at the first 48 months and Rs. 4,998/- per month for the rest.	Linear ice cream cup and cone filler with accessories
Loan granted by Central Finance	16,834,500	2,675,423	7,417,207	Repayable in 60 monthly instalments of Rs.454,512/- at the first 48 months and Rs. 5,000/- per month for the rest.	Yoghurt cup filler Fill matic 8000 - YS302 - 8
Loan granted by Central Finance	7,528,750	2,988,039	5,229,790	Repayable in 48 equal monthly instalments of Rs.205,735/-	Toyota Vangurd Jeep
Bank Overdraft facility provided by Bank of Ceylon	159,000,000	103,910,921	49,545,772	On Demand	i) 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	-	2,248,975	193,382,092	On Demand	Fixed deposit amounting to Rs. 375,000,000 of People's Bank.

33. 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 are authorized for issue that require adjustments to, or disclosures in the Financial Statements.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 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	969,402,659	969,402,659
Trade and Other Receivables	888,562,844	888,562,844
Cash and Cash Equivalents	32,075,368	32,075,368
Total Financial Assets	1,890,040,871	1,890,040,871
Financial Liabilities		
Trade and Other Payables	698,308,209	698,308,209
Interest Bearing Loans and Borrowings	337,125,429	337,125,429
Payable to the Treasury of Government of Sri Lanka	13,212,970,600	13,212,970,600
Bank Overdraft	175,009,212	175,009,212
Total Financial Liabilities	14,423,413,449	14,423,413,449

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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

35.1 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

35.2 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.

35.3 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.

35.3.1 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	-	-	555,450,659	413,952,000	-	969,402,659
Trade and Other Receivables	-	888,562,844	-	-	-	888,562,844
Cash and Cash Equivalents	32,075,368	-	-	-	-	32,075,368
Total Financial Assets	32,075,368	888,562,844	555,450,659	413,952,000	-	1,890,040,871
Financial Liabilities						
Trade and Other Payables	-	698,308,209	-	-	-	698,308,209
Interest Bearing Loans and Borrowings	-	13,081,909	63,061,003	260,982,516	-	337,125,429
Payable to the Treasury of Government of Sri Lanka	-	-	-	-	13,212,970,600	13,212,970,600
Bank Overdraft	175,009,212	-	-	-	-	175,009,212
Total Financial Liabilities	175,009,212	711,390,118	63,061,003	260,982,516	13,212,970,600	14,423,413,449
Total Net Financial Assets/ (Liabilities)	(142,933,845)	177,172,726	492,389,656	152,969,484	(13,212,970,600)	(12,533,372,579)

35.4 Interest Rate Risk

Interest rate risk is a key constitute 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.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2016

	For the Year Ended 31 st December, 2016 Rs.	For the Year Ended 31 st December, 2015 Rs.
1. COST OF SALES		
Cost of Purchase of Raw Milk	4,529,907,111	3,951,195,676
Chilling Cost	330,702,103	339,834,579
Development Cost	203,487,923	171,701,987
Bowser Cost	188,250,469	188,639,415
Consentrated Milk Cost	64,367,923	73,711,407
Net Stock Adjustments on Raw Materials	(769,787)	1,039,955
Cost of Other Raw Materials	790,051,039	655,646,305
Total Cost of Raw Materials	6,105,996,781	5,381,769,324
Cost of Packing Materials	764,073,843	660,920,534
Cost of Processing and Packing Labor	397,223,350	405,196,800
Prime Cost	7,267,293,973	6,447,886,658
Energy Cost		
Furnace Oil	297,092,714	281,076,144
Electricity	146,391,052	137,639,825
Diesel	9,056,725	6,135,289
Water	18,361,680	16,184,103
Other Energy Cost	27,651	32,448
Total Energy Cost	470,929,822	441,067,809
Other Consumables		
Lab Chemicals	8,955,957	11,900,266
Detergent & Cleaning Material	22,771,557	19,554,094
Wages and Staff Welfare of Factory Staff	212,431,819	211,056,449
Marginal Cost	7,982,383,129	7,131,465,276
Factory Overheads		
Depreciation of Plant and Machinery	201,660,366	197,231,608
Repairs and Maintenance of Plant and Machinery	87,884,418	73,083,645
Repairs and Maintenance of Buildings	3,229,983	5,391,480
Insurance	18,383,763	17,154,439
Total Factory Overheads	311,158,531	292,861,172
Total Cost of Production	8,293,541,660	7,424,326,448
Net Stock/ Transfer Adjustments on Finish Goods	(449,673,771)	(412,360,721)
	7,843,867,888	7,011,965,727

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2016



2. OTHER INCOME

	For the Year Ended 31 st December, 2016 Rs.	For the Year Ended 31 st December, 2015 Rs.
Surcharges on Returned Cheques	1,123,986	974,464
Non Refundable Deposit	254,500	645,000
Non Refundable tender Deposit	546,000	940,000
Subsidy on Milk Powder Sales	222,910,700	93,527,650
Differed Income	21,697,268	22,222,444
Registration of Suppliers	2,328,000	3,552,000
Sundry Income	196,277	430,483
Exchange Gain	14,190,678	67,851,169
Fines & Surcharges	356,326	533,549
House Rent	72,202	61,359
Cattle Feed Earnings	-	546,425
Write Back - Income Tax Claim	-	161,291,918
Redundand Sales	800,235	481,018
	<u>264,476,173</u>	<u>353,057,479</u>

3. PERSONNEL EXPENSES

Staff Salaries	210,157,687	214,139,260
Staff Allowances	16,051,235	14,033,017
Contributions to Employees' Provident Fund	19,489,584	18,710,715
Contributions to Employees' Trust Fund	4,874,292	4,658,385
Provision for Defined Benefit Plans - Gratuity	3,441,938	59,648,120
Overtime	9,298,473	7,636,122
Staff Bonus	6,056,069	5,287,537
Casual Wages	116,725	1,133,382
Overtime	10,904	35,792
E.P.F.	4,260	17,150
E.T.F.	1,065	4,288
Incentives	1,285,577	311,766
Leave Payment	10,082,142	8,364,643
Transport Allowance	769,790	194,198
Special Allowances	515,370	1,682,433
Fuel Allowances	1,147,185	1,173,726
Shift Allowances	-	221,700
Staff Training	1,635,231	1,131,602
Medical expenses	1,947,106	1,365,000
Death Donation	478,000	170,000
Gift Vouchers	562,887	1,222,585
Compensation	-	12,180
Staff Welfare	12,409,845.64	15,638,964
Mid day Allowance	320,452	147,586
Field Allowance	-	514,060
Attendance Incentives	-	1,098,504
Uniform	804,254	-
Telephone Allowances	131,547	90,614
	<u>301,591,619</u>	<u>358,643,329</u>

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2016

	For the Year Ended 31 st December, 2016 Rs.	For the Year Ended 31 st December, 2015 Rs.
4. ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Repairs and Maintenance	31,783,468	24,329,760
Directors Expense	8,615,482	2,987,665
Travelling	8,366,494	6,648,037
Garden Maintains	7,785,737	10,769,214
Bank Charges	1,429,818	2,632,203
Bungalow Expenses	1,726,579	1,124,170
Quality Control Expenses	3,716,093	7,419,295
Depreciation on Property, Plant and Equipment	47,584,979	41,758,132
Legal Charges	2,249,738	3,686,232
Printing and Stationary	8,030,632	8,676,433
Security Charges	38,543,572	37,695,905
PEST control	152,633	176,623
Sundry Expenses	-	(2,413,899)
Internet & Network Chargers	-	270,916
Electricity expenses	9,642,399	9,451,672
Water expenses	688,715	537,736
Rent & Rates	18,076,318	19,986,002
Stamp Expenses	257,723	(13,374)
Postage Expenses	363,820	306,698
Advertisement	1,991,621	-
News Papers & Periodicals	516,850	432,125
Vehicle License	319,043	389,815
Vehicle Hiring	1,255,552	7,691,656
Accounting & Auditing expenses	3,987,005	2,058,597
Consultancy Charges	3,707,692	1,577,307
Subscription for Professional Bodies	-	170,701
Insurance	11,560,244	11,479,588
Fuel Expenses	27,721,646	27,288,710
DESMI Project Expenses	164,192	2,392,474
Warehousing Service Charges	-	22,149,347
Telephones Expenses	5,334,340	4,749,922
Inventory write off/ Free issues	(4,087,346)	2,676,936
Apportion of Bank Charged	-	(1,310,144)
ESC - Write Off	8,954,343	-
Other Expense	90,163	663,061
Entertainment Expenses	1,336,729	200,099
Apportioned Procurement Expenses	(20,088,488)	-
	<u>231,777,784</u>	<u>258,639,616</u>
Total Administration Expenses	<u>533,369,403</u>	<u>617,282,945</u>

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2016



	For the Year Ended 31 st December, 2016 Rs.	For the Year Ended 31 st December, 2015 Rs.
5. SELLING AND DISTRIBUTION EXPENSES		
Advertisements and Sales Promotion	50,361,081	37,367,206
Transport Expenses	65,607,124	62,382,006
Sales Promotions	6,769,234	7,155,282
Vehicle hiring chargers	17,758,224	22,054,284
Out Let Expense	88,455,614	68,784,386
Repair & Maintanance of Motor Vehicle	-	110,475
Marketing Staff Travelling & Subsistence (Apportion Cost)	-	434,892
Apportion Cost (Sundry Selling & Distribution)	-	494,591
Repairs & Maintenance of Bottle Coolers	84,646	170,643
Fuel	1,374,646	1,293,793
Depreciation - Bottle Coolers	-	156,650
Free issues of Finish Goods	487,178	543,572
Bad and Doubt Full Debts	2,599,134	993,655
	<u>233,496,881</u>	<u>201,941,435</u>
6. OTHER EXPENSES		
Loss on Liquid Milk Sale	(203,925)	1,677,269
Loss on Milk Transfers	4,482,684	11,235,041
Provision for Subsidy Milk Payment	-	54,864,721
	<u>4,278,759</u>	<u>67,777,030</u>
7. FINANCE INCOME		
Interest on call/fixed deposit	33,685,575	40,738,354
Interest on Fixed Deposit - Foreign Currency (USD)	21,915,550	25,938,787
Interest on Distress Loan	6,234,297	6,140,627
Interest on Motor Cycle Loan	70,489	53,180
Interest on Flood Loans	30,597	1,539
Interest on Special Loan	141,935	203,725
	<u>62,078,442</u>	<u>73,076,212</u>
8. FINANCE COSTS		
Interest on Term Borrowings	-	20,721,894
Interest on Bank Overdrafts	11,434,400	40,584,161
Lease Interest	3,449,991	9,267,133
Loan Interest	36,791,050	20,380,114
Interest on Yoghurt Filler	-	1,305,996
Interest on Desmi Loan	-	11,993,801
Commitment Fee Expense	-	5,296,525
Apportion of Overdraft Interest	-	(1,473,035)
	<u>51,675,441</u>	<u>108,076,589</u>

2016 Jan/Dec 2015 Jan/Dec 014 Apr/Dec 2013/2014 2012/2013 2011/2012

OPERATION RESULTS

Turnover (Net)	Rs. 000'	8,679,465	7,584,727	5,627,620	7,019,769	6,385,234	5,263,152
Gross Profit	Rs. 000'	835,597	572,762	770,972	1,005,692	486,433	221,896
Profit before tax	Rs. 000'	339,332	3,817	248,159	161,107	(267,468)	(244,788)
Income tax Expenses	Rs. 000' (	12,247)	(16,117)	(6,201)	(20,699)	(30,555)	(10,918)
Profit After Tax	Rs. 000'	327,085	(12,300)	241,958	140,408	(298,023)	(255,706)

BALANCE SHEET

Stated Capital	Rs. 000'	319,454	319,454	319,454	319,454	319,454	319,454
Retained earnings	Rs. 000'	1,665,982	1,257,791	1,230,935	911,973	745,596	1,035,313
Sinking Fund	Rs. 000'	1,690	1,690	1,690	1,690	1,690	1,690
Reserve for upgrading / replacement of Plant & Machinery	Rs. 000'	25,000	25,000	25,000	25,000	25,000	25,000
Revaluation Reserve	Rs. 000'	336,455	336,455	336,455	336,455	336,455	336,455
Shareholders fund	Rs. 000'	<u>2,348,581</u>	<u>1,940,390</u>	<u>1,913,534</u>	<u>1,594,572</u>	<u>1,428,195</u>	<u>1,717,912</u>
Property Plant & Equipment	Rs. 000'	14,763,672	12,261,545	8,143,175	2,244,073	2,123,362	2,275,337
Net Current Assets/(Liabilities)	Rs. 000'	1,670,868	(243,145)	(143,370)	431,475	445,668	537,718
Long term/(Deferred Liabilities)	Rs. 000' (	14,085,960)	(10,078,010)	(6,086,271)	(1,080,976)	(1,140,836)	(1,095,144)

RATIOS

Earning per share	Rs.	10.24	(0.39)	7.57	4.40	(9.33)	(8.00)
Total Assets to share holders fund/ times	Rs.	7.41	7.24	5.40	2.84	2.94	2.37
Net Assets per share	Rs.	103.67	60.74	59.90	46.79	44.71	53.78
Return on share holders equity	%	17.38	1.38	11.23	10.43	(20.29)	(14.88)
Gross Profit Ratio	%	9.63	7.55	13.70	14.33	7.62	4.22
Net Profit Ratio	%	3.77	(0.16)	4.30	2.00	(4.67)	(4.86)
Current Assets Ratio/ Times		2.73	0.88	0.94	1.23	1.27	1.43
Quick Assets Ratio (Times)		1.85	0.05	0.66	0.91	0.94	1.04