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Milco (Pvt) Ltd

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



Annual Report

2015

January - December

Our Vision

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

Our Mission

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



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CORPORATE INFORMATION

Name of the Company	- Milco (Pvt) Ltd																		
Legal Status	- A Private Limited Liability Company incorporated in Sri Lanka under the provisions of the Companies Act 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. 28, Rosmead Place, Colombo 07.																		
Directors	<table><tr><td>- Mr. K P P H Mihiripenna</td><td>- Chairman</td></tr><tr><td>Mr. Palitha Samarakoon</td><td>- Deputy Chairman</td></tr><tr><td>Mr. A A T S Amarasinghe</td><td>- Working Director</td></tr><tr><td>Ms. Biyanka N Gamage</td><td>- Director</td></tr><tr><td>Mr. M P Sarath Abeyratne</td><td>- Director</td></tr><tr><td>Mr. J A S Jayakody</td><td>- Director</td></tr><tr><td>Mr. A M R B Alahakoon</td><td>- Director</td></tr><tr><td>Mr. B D Mahilal Chandima</td><td>- Director</td></tr><tr><td>Mr. M H M Fazal</td><td>- Director</td></tr></table>	- 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
- 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	<p>- Internal Ernst & Young Advisory Services (Pvt) Ltd, 201, De Saram Place, Colombo 10.</p> <p>- External M/S BDO Partners, No: 65/2, Sir Chittampalam A Gadiner Mawatha, Colombo 02.</p> <p>- Govt: Audit Auditor General</p>																		
Bankers	- Peoples' Bank - Bank of Ceylon																		

We are indeed proud to continue being instrumental in enabling Sri Lanka's vision of making fresh milk accessible to the nation, creating avenues for the people of Sri Lanka in whichever demographic they live in to alleviate nutritional gaps that have existed in our populace within all age groups. Given the national goal of self-sufficiency in milk, MILCO has thus not only contributed to moving towards the achievement of Sustainable Development Goals (SDGs) but also contributed towards sustainable economic development through extensive employment opportunities augmented by good health. It is in this backdrop that I present the Annual Report for MILCO for the year ending 2015 and pen my message to our stakeholders, having completed a year of great fulfillment.

Operating Environment

The industry has been steadily gaining ground aligned with the national goal of milk self sufficiency. Raw milk collection increased from 61.4 million liters to nearly 64.5 million liters, which is a noteworthy increase of 3.1 million liters, a 5% growth over the previous year. Fetching an average price of Rs 63.96 per liter compared to last year's average price of Rs 52.42. Raw milk purchase price increment increased our expenses by Rs 908 Mn, a 28% increase. This therefore showed a total raw milk cost of Rs 4,130,855,955 for this year, significantly above the value of Rs 3,222,805,630 of last year.

Quantitative Performance

For MILCO, the challenges have been many, as the operating environment continuously being fraught with competition, challenges which I will describe further below. However, having initiated numerous dynamics that will ensure the Company continues its upward trajectory, in terms of operations.

Gross sales increased by 5% to Rs 7,584,727,777 from Rs 7,391,623,123. However, gross profit saw a decline from the prior year, as even though the price of raw milk increased first from Rs 50 to Rs 60 in November 2014 and next from Rs 60 to Rs 70 from July 2015, the selling price could not be increased. This meant that MILCO incurred an additional cost of Rs 411 Mn, of which only Rs 35 Mn was covered by the State grant during the first price increase and an additional Rs 168 Mn as cost in the second price increase, of which only Rs 40 Mn was granted by the Government.

However, having anticipated such external features, while managing the challenge of the Government grants not covering a significant portion of the costs incurred, MILCO adopted astute cost management strategies in our production, controls, systems and processes, enabling the company to maintain a prudent bottom line reflecting only a loss of Rs 16 Mn this year.

However, the company did receive Rs 100 Mn subsidy from the General Treasury when the sale price of milk powder was reduced by Rs 100 per 1 kg and yoghurt at Rs 3 per cup. It must be noted that the sale price of milk powder was increased by the government to Rs 325 per 400 gm pack. Given that MILCO has always comprehended the national responsibility it holds in being a conduit for the nation's health, with the approval of The Consumer Affairs Authority which was triggered by a Government request to maintain cost of living stability, we took the initiative to reduce our selling price by Rs 5 which meant we sold the 400 gm pack at Rs 320 from 1st October 2015. Subsequently, in the fiscal budget for 2016, the government proclaimed a Maximum Retail Price (MRP) for local milk powder at Rs 295 per 400 gms, a diktat we adhered to, recovering the additional Rs 25 incurred in the form of a Government grant, even though the approved grant was Rs. 30 per 400 gms packet.

Strengths Augmented

MILCO now counts for over sixty years in the dairy industry of Sri Lanka. In these six decades, the Company has established itself as a brand that is synonymous with quality and also one that is well aligned to the social responsibility initiative of ensuring the health and well being of the nation. Having been established as a Company to drive the national dairy industry, what is laudable is that MILCO has never lost sight of that goal and has built an unshakable foundation of customer loyalty that today remains its greatest strength.

Our stakeholder engagement has been one of trust and commitment. The relationships we have forged and nurtured with each of our stakeholders is founded on being long lasting, where the formula is worked on a win-win situation for both. As an example, our farmers, the backbone of our Company, have unequivocally stated their loyalty to MILCO with their knowledge that MILCO is a fully government owned institution and therefore, are grateful for the state guarantee that comes with this ownership. There is also clarity in this ownership as the farmers themselves realise that the government will always make decisions with their betterment at the fore, which has naturally strengthened this relationship.

Our team continues to be a strong foundation on which our business has been constructed. We are very proud that they take ownership for the social responsibility ethos we espouse and continue to be initiators in innovating products, strengthening relationships and being quality conscious. We continue to expand their knowledge capabilities and competencies through targeted training and development in order to maximize their potential and the contribution they can give not only to the Company, but to the national vision overall. Another strength we possess is our well established milk collection network, which enables us to have a presence in all milk producing areas, ensuring the freshness and quality of the milk from source to final shelf. It is this that gives MILCO a competitive edge in the quality stakes as we are extremely cognizant of the importance of proper collection processes and the follow up which ensures the superior quality of our product.

As mentioned in last year's annual report in which we mentioned the upgrading the Ambewela, Digana and Polonnaruwa manufacturing plants, the latter was completed in the second half of the year. This has prompted a significant improvement in both production capacity and product quality. The Digana and Ambewela plant upgrading is yet in progress and billed for completion during 2017.

Moving forward

For MILCO, there's just one vision: to be the spearhead in making fresh milk accessible to Sri Lankans, a national goal that spells out self-sufficiency in milk by 2020. Being a State Owned Enterprise, (SOE), we are surely the state's driving force in reaching this goal and hence, our goals, both short and long term have been strategically positioned to be aligned with this. We do believe that in the short term, the operating environment will continue to be competitive as there is renewed encouragement for the establishment of small and medium scale players within the industry. This will add pressure on price and quality which is a competitive advantage that MILCO has currently.

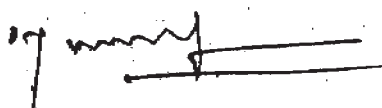
As we move ahead, we do know that we have employed strategies that will enable us to stay ahead. We are very aware that MILCO is not simply about making profit but remains part of the larger national picture of building a healthy nation, while also uplifting the lifestyle of dairy farmers in the island. By expanding our collection network and adding to the farmer income by paying a higher price for the milk we source, MILCO has further cemented its social consciousness, as by infusing investment into infrastructure and cattle management, production capacity too will be increased, quality enhanced and products expanded.

All these pave the way for a healthier nation that will be the foundation upon which sustainable economic development thrives.

Appreciations

I am deeply appreciative of my Board of Directors for their continued support in helping me spearhead our ambitious goals, my team who have been amazing trusses in ensuring that the plans we make are achieved and our farmers, without whose wholesome support, our national objective will certainly not be achieved.

On behalf of the MILCO Board of Directors, I would also like to extend my appreciation to the Hon. Minister and officials of the Ministry for being a constant source of inspiration in our journey.



Keethi Mihiripenna
Chairman
Milco (Private) Limited

The Directors of Milco (Pvt) Ltd have pleasure in presenting the Report of the Directors and the Audited Financial Statement for the nine months period ended 31st December 2015.

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 540.2 Mn and depreciation charges are as shown.

BOARD OF DIRECTORS

The following Board of Directors were appointed by the Secretary to the Treasury after formulating of new Ministry of Rural Economy with effect from 20.02.2015

Mr. Sunimal **SENARATHNE - Chairman**

Mr. K.P.P.H.**MIHIRIPENNA - Deputy Chairman**

Mr. Tudor S **AMARASINGHE - Working Director**

Ms. Biyanka **GAMAGE - Director - (Representative of the Treasury)**

Mr. J. A. S. Jayakody - **Director**

Mr. D P Wijesinghe - **Director**

Mr. W A C Perera - **Director**

Mr M P S Abeyrathna - **Director**

Dr. R P M Pathirathne - **Director**

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

Mr. Sunimal SENARATHNE resigned w.e.f. 18.11.2015.

Mr. K. P. P. H. MIHIRIPENNA was appointed as Chairman w.e.f. 18.11.2015

Mr. D P Wijesinghe resigned w.e.f. 23.10.2015

Mr. W A C Perera resigned w.e.f.18.11.2015

Dr. R P M Pathirathne resigned w.e.f. 08.06.2015

Dr. C N S Gamage was appointed w.e.f. 08.06.2015 and resigned w. e. f. 23.10.2015

Mr. P B A Samarakoon was appointed w.e.f. 18.11.2015

Mr. A M R B Alahakoon was appointed w.e.f. 18.11.2015

Mr. B D M Chandima was appointed w.e.f. 18.11.2015

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 1,230,935,630/= adjusted for the current year's Profit Rupees 26,856,301/= 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 20,467,898/= 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.

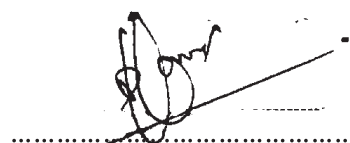
GOING CONCERN

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 BDO Partners, 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 nine month period ended 31.12.2015. 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,



.....
Secretary to the Company

Financial Services & Commercial Agencies (Pvt) Ltd.
(Sec/555/91) No. 28, Rosmead Place, Colombo 07.

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 has branch offices operating with resident officials in the factories of Colombo, Ambewela, 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 through out 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.

AUDITOR GENERAL'S REPORT



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මගේ අංකය
எனது இல.
My No.

FLS/C/MILCO/15/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

26 May 2017

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 2015

The audit of the financial statements of the MILCO (PRIVATE) LIMITED for the year ended 31st December, 2015 comprising the statement of financial position as at 31 December 2015 and the statement of comprehensive Income, statement of changes in equity and cash flow statement 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 Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence, we have obtained, is sufficient and appropriate to provide a basis for my qualified opinion.

Basis for Qualified Opinion

a) Capital Work-in-Progress

- 1) This includes a Yoghurt Mix Plant amounting to Rs.104,177,780/- which had been idling for a considerable period of time as at the reporting date. A plant being idle for such a considerable time could be considered as an indication of impairment of the plant and hence, needs to be tested for the impairment as required by LKAS 36- Impairment of Assets.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව, . - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka



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www.auditorgeneral.gov.lk

However, the above asset had not been tested for impairment by the management as at the reporting date and as a result, I was unable to satisfy myself as to the valuation of the same as at the reporting date.

- 2) This includes the cost incurred on the modernization of three factories of the company amounting to Rs. 6,617,560,269/- and the cost incurred for setting up a dairy processing plant at Badalgama amounting to Rs. 429,172,328/-. Based on the current management reports/correspondence and inquiries made with the management, it was noted 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 the impairment as required by LKAS 36- Impairment of Assets.

However, the said assets have not been tested for impairment by the management as at the reporting date and as a result, I was unable to satisfy ourselves as to the valuation of the same as at the reporting date.

b) Long Term Payable on Shipment Received

I was not provided with third party confirmation in respect of payable balance amounting to Rs. 300,640,103/- on the modernization of three factories of the company as detailed in Note no 23.

Owing to the nature of the company's records, I was unable to perform other audit procedures to satisfy myself as to the completeness and the accuracy of the aforesaid balances as at the reporting date.

Qualified Opinion

In my opinion, except for the effects of the matters discussed in the basis for qualified opinion paragraph, of this report, the financial statements give a true and fair view of the financial position of the Company as at 31st December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In my opinion:
- I have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company, comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

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 PERIOD ENDED 31ST DECEMBER, 2015



		For the Year Ended 31st December, 2015 Rs.	Nine Months Period Ended, 31st December, 2014 Rs.
Revenue	3	7,584,727,777	5,627,620,660
Cost of Sales		(7,011,965,727)	(4,856,647,872)
Gross Profit		572,762,050	770,972,788
Other Operating Income	4	353,057,479	174,764,543
		925,819,529	945,737,331
Administrative Expenses		(617,282,945)	(472,517,379)
Distribution Expenses		(201,941,435)	(189,137,155)
Other Expenses	5	(67,777,030)	(1,348,902)
Profit from Operations		38,818,119	282,733,895
Finance Income	6	73,076,212	61,925,734
Finance Expenses	7	(108,076,590)	(96,500,495)
Net Profit/(Loss) Before Taxation	8	3,817,741	248,159,134
Income Tax Expenses	9	(20,467,898)	(6,201,217)
Net Profit/(Loss) for the Year after Taxation		(16,650,157)	241,957,917
Other Comprehensive Income			
Actuarial Gains/(Loss) on Defined Benefit Plan, Net of Taxes		43,506,458	(27,031,726)
Total Other Comprehensive Income Net of Tax		43,506,458	(27,031,726)
Total Comprehensive Income		26,856,301	214,926,191
Basic Earnings Per Share	10	(0.52)	7.57

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 36 form an integral part of these Financial Statements.

Colombo
18th May, 2017

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2015

	Note	As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	11	1,479,986,458	1,199,726,830
Capital Work-In-Progress	12	6,735,781,479	5,947,060,383
Financial Instrument - Held to Maturity	16	967,851,460	996,388,159
Longterm Advances	13	3,077,925,645	-
Total Non-Current Assets		12,261,545,042	8,143,175,372
Current Assets			
Inventories	14	649,969,734	654,542,820
Trade and Other Receivables	15	930,050,921	1,244,842,344
Income Tax Receivable	26	21,393,847	-
Financial Instrument - Held to Maturity	16	150,304,551	265,001,043
Cash and Cash Equivalents	17	33,253,707	26,611,927
Total Current Assets		1,784,972,760	2,190,998,134
Total Assets		14,046,517,802	10,334,173,506
EQUITY AND LIABILITIES			
Stated Capital and Reserves			
Stated Capital	18	319,454,060	319,454,060
Capital Reserve	19	25,000,000	25,000,000
Revaluation Reserve		336,454,462	336,454,462
Sinking Fund	20	1,689,978	1,689,978
Retained Earnings		1,257,791,931	1,230,935,630
Shareholders' Fund		1,940,390,431	1,913,534,130
Non-Current Liabilities			
Deferred Tax Liability	21	28,214,500	23,679,444
Non-interest Bearing Borrowings	22	2,108,063	2,108,063
Interest Bearing Borrowings - Long-Term	22	5,671,067,321	459,037,810
Payable to the Treasury of Government of Sri Lanka	23	3,799,067,113	5,020,014,987
Retirement Benefit Obligations - Gratuity	24	516,891,001	501,564,018
Deferred Income - Government Grant	25	60,662,036	79,866,848
Total Non-Current Liabilities		10,078,010,034	6,086,271,170
Current Liabilities			
Trade and Other Payables	26	488,262,509	909,304,197
Income Tax Payable	27	-	3,658,164
Interest Bearing Borrowings - Short Term	22	1,119,615,137	883,008,244
Bank Overdrafts	28	420,239,691	538,397,601
Total Current Liabilities		2,028,117,337	2,334,368,206
Total Equity and Liabilities		14,046,517,802	10,334,173,506

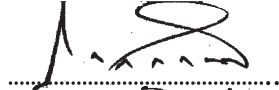
Figures in brackets indicate deductions.

Commitments and Contingencies

29 and 30

The accounting policies and notes on pages 05 to 36 form an integral part of these Financial Statements.

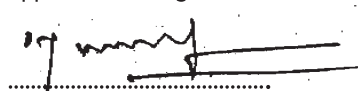
I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No.07 of 2007.



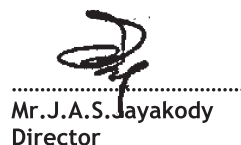
Mr. S.A. Ananda Ranjan
Asst. Finance Manager

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



Mr. K.P.P.H. Mihiripenna
Chairman



Mr. J.A.S. Jayakody
Director

Colombo
18th May, 2017
SSR/dm

STATEMENT OF CHANGES IN EQUITY AS AT 31ST DECEMBER, 2015



	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Sinking Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2014 (Restated)	319,454,060	25,000,000	336,454,462	1,689,978	1,016,009,439	1,698,607,939
Net Profit for the Year	-	-	-	-	241,957,917	241,957,917
Other Comprehensive Income	-	-	-	-	(27,031,726)	(27,031,726)
Balance as at 31st December 2014	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	-	-	-	-	(16,650,157)	(16,650,157)
Other Comprehensive Income	-	-	-	-	43,506,458	43,506,458
Balance as at 31st December 2015	319,454,060	25,000,000	336,454,462	1,689,978	1,257,791,931	1,940,390,431

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 36 form an integral part of these Financial Statements.

Colombo
18th May, 2017

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2015

Cash Flow from Operating Activities

Net Profit Before Taxation
Adjustments for ;
- Depreciation on Property, Plant and Equipment
- Income from Investment
- Write Back of Tax overprovision
- Interest Expense
- Lease Interest
- Recognized Income on Deferred Grants
- Provision for Bad and Doubtful Debts
- Exchange Gain
- Gain/Loss on Disposal of Fixed Assets
- Provision for Defined Benefit Plans - Gratuity
- Write Off of Discarded Goods

As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
3,817,741	248,159,134
260,027,049	150,184,230
(73,076,212)	(61,925,734)
(161,291,918)	-
93,512,932	87,689,789
9,267,133	8,810,706
(22,222,444)	(11,227,928)
993,655	9,194,051
(67,851,169)	(5,073,611)
-	(6,074)
79,207,709	57,962,076
2,676,936	2,689,934
121,243,671	238,297,439
125,061,412	486,456,573
1,896,150	(51,189,200)
296,064,588	81,734,401
(259,749,770)	(70,510,656)
38,210,968	(39,965,455)
163,272,380	446,491,118
(93,512,932)	(87,689,789)
(23,251,674)	(13,805,722)
(20,374,268)	(17,680,285)
(137,138,874)	(119,175,796)
26,133,506	327,315,322

Operating Profit Before Working Capital Changes

(Increase)/Decrease in Inventories
(Increase)/Decrease in Trade and Other Receivables
Increase/(Decrease) in Trade and Other Payables

Cash Generated from Operations

Interest Paid
Tax Paid - ESC and Income Tax
Payment of Defined Benefit Plans - Gratuity

Net Cash Flow From/(Used In) Operating Activities

Cash Flow from Investing Activities

Acquisition of Property, Plant and Equipment
Investments in Property, Plant and Equipment in the Course of Construction
Long term advances paid
Loan Received from Treasury
Proceeds from Disposal of Livestock
Interest Received
Proceeds from Disposal of Property, Plant and Equipment
Withdrawal/(New) Short-Term and Long-Term Investment (Net)
Net Cash From/(Used In) Investing Activities

Cash Flow from Financing Activities

Government Grant Received
Lease Rental Paid
During the Year Loan Granted
Loans and Borrowings Repayments
Net Cash From/(Used In) Financing Activities

Net Increase in Cash and Cash Equivalents

Cash and Cash Equivalents at the Beginning of the Year (Note A)
Cash and Cash Equivalents at the End of the Year (Note B)

At the Beginning of the Year

Balances at Banks
Petty Cash in Hand

Bank Overdrafts

At the End of the Year

Balances at Banks
Petty Cash in Hand

Bank Overdrafts

	Note A
22,813,784	28,734,485
3,798,143	5,013,679
26,611,927	33,748,164
(538,397,601)	(757,817,627)
(511,785,674)	(724,069,463)
	Note B
27,273,015	22,813,784
5,980,692	3,798,143
33,253,707	26,611,927
(420,239,691)	(538,397,601)
(386,985,984)	(511,785,674)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 05 to 36 form an integral part of these Financial Statements.

Colombo
18th May, 2017

1 ACCOUNTING POLICIES

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, 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 18th May, 2017.

1.1.4 Responsibility for Financial Statements

The board of directors is responsible for the preparation and presentation of these financial statements. The responsibility of the Directors in relation to the financial statements is set out in "the statement of directors' responsibility".

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, 2015 are prepared in compliance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka.

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 07 of 2007.

1.2.1.5 Going Concern

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

1.2.1.6 Comparative Information

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

1.2.1.7 Foreign Currency Transaction

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

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

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

1.2.1.8 Materiality and Aggregation

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

1.2.1.9 Critical Accounting Estimates and Judgements

a) Judgements

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

b) Estimates and Assumptions

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

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

1.3 Assets & Bases of their Valuation

1.3.1 Property, Plant and Equipment

a) Measurement

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

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

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

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

b) Useful Lives of Property, Plant and Equipment

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

c) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

The economic useful lives are as follows:

Buildings	Over 20 years
Plant and Machinery	Over 04 to 15 years
Furniture and Fittings	Over 03 to 05 years
Laboratory Equipment	Over 03 to 05 years
Motor Vehicles	Over 08 to 15 years
Tools and Equipment	Over 03 to 10 years
Office Equipment	Over 2.5 to 05 years
Bottles and Crates	Over 04 years
Computers	Over 02 to 04 years
Bottle Coolers	Over 2.5 to 05 years
Software	Over 03 years
Milk Cans	Over 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.

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. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

(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.

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 unavoidable reasons of the company.

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 22. 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.

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NOTES TO THE FINANCIAL STATEMENTS



	For the Year Ended 31st December, 2015 Rs.	Nine Months Period Ended, 31st December, 2014 Rs.
3. REVENUE		
Gross Sales	7,739,513,356	5,742,470,452
Less: Nation Building Tax	(154,785,579)	(114,849,792)
	<u>7,584,727,777</u>	<u>5,627,620,660</u>
4. OTHER INCOME		
Redundant Sales	481,018	572,564
Rent Income	61,359	-
Registration of Suppliers	3,552,000	-
Sale of Unusable Items	-	-
Fines and Surcharges	533,549	1,654,058
Government Grant	93,527,650	154,920,972
Tender Registration Fees	-	427,100
Non-Refundable Deposit	645,000	536,050
Non-Refundable Tender Deposit	940,000	-
Profit on Disposal of Fixed Assets	-	6,074
Deferred Income	22,222,444	11,227,928
Bottle Deposits Written Off	-	10,000
Exchange Gain	67,851,169	5,073,611
Cattle Feed Earnings	546,425	336,186
Sunday Income	430,483	-
Surcharges for Returned Cheques	974,464	-
Write Back of Overprovision	161,291,918	-
	<u>353,057,479</u>	<u>174,764,543</u>
5. OTHER EXPENSES		
Loss on Liquid Milk Sale	1,677,269	1,176,406
Loss on model farm operation	-	172,497
Loss on milk transfers	11,235,041	-
Provision for Milk Subsidy Payment	54,864,721	-
	<u>67,777,030</u>	<u>1,348,902</u>
5.1.		
During the year, the company has recognized the grant receivable from the Treasury of the government of Sri Lanka , in a sum of Rs. 393,116,484/- as other income. However, subsequently, the company has made a bad debt provision of Rs. 447,981,206/- against the grant receivable from the Treasury, for Milko payment subsidies, owing to the doubtfulness of recoverability of such receivables as at the reporting date. The net impact of such provision for other expenses has been disclosed as follows.		
		Amount Rs.
Government Grants - Other Operating Income Milk Purchase Subsidy from 01/11/2014 to 15/07/2015 (Price Increment Rs. 50 to Rs. 60)		265,000,000
Milk Purchase Subsidy from 16/07/2015 to 30/11/2015 (Price Increment Rs. 60 to Rs. 70)		128,116,484
Income Recognized During the Year		<u>393,116,484</u>
Provision Made During the Year for Above Milk Subsidies Considering the Doubtfulness of Recoverability		(393,116,484)
Provision Made During the year for the Milk Subsidy of Product Price Impact from 28/10/2014 to 26/04/2015		(54,864,721)
Total Provision Made During the Year for Subsidies		<u>(447,981,205)</u>
Net Impact - Other Expenses		<u>(54,864,721)</u>
6. FINANCE INCOME		
Interest on Call/Fixed Deposit - Local	40,738,354	34,463,538
Interest on Fixed Deposit - Foreign Currency (USD)	25,938,787	23,003,709
Interest on Staff Loans	6,399,071	4,458,487
	<u>73,076,212</u>	<u>61,925,734</u>
7. FINANCE COSTS		
Interest on Finance Lease	9,267,133	8,810,706
Interest on Loans	54,401,805	47,444,964
Commitment fee	5,296,525	-
Interest on Bank Overdrafts	39,111,127	40,244,825
	<u>108,076,590</u>	<u>96,500,495</u>

	For the Year Ended 31st December, 2015 Rs.	Nine Months Period Ended, 31st December, 2014 Rs.
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8. PROFIT BEFORE TAXATION

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

Directors' Remuneration	6,807,283	10,514,243
Audit Services		
- Internal Audit Services	1,454,847	972,463
- External Audit Services	603,750	603,750
Depreciation on Property, Plant and Equipment	260,027,049	150,184,230
NBT Expenses	154,785,579	114,849,792
Advertising and Sales Promotions	44,522,488	51,211,849
Donations	-	121,500
Legal Expenses and Professional Fee	3,686,232	6,004,008
Provision for Impairment	993,655	9,194,051
Repairs and Maintenance Expenses	57,577,896	131,404,899
Staff Costs		
- Salaries, Wages and Allied Expenses	833,843,988	672,535,463
- Defined Contribution Plan Costs - E.P.F and E.T.F	82,323,454	58,479,458
- Defined Benefit Plan Costs - Gratuity	35,701,251	84,993,802

9. INCOME TAX EXPENSES

Note

Current Income Tax Provision	9.1	15,932,842	8,473,947
Deferred Tax Charge for the Year	21	4,535,056	(2,272,730)
		20,467,898	6,201,217

9.1 Reconciliation Between Current Tax (Income)/Expenses and the Product of Accounting Profit/(Loss)

Accounting Profit Before Taxation	3,817,741	248,159,134
Less: Income Considered Separately	(73,076,212)	(61,925,734)
Profit from Trade or Business	(69,258,471)	186,233,400
Less: Net allowable expenses for Tax Purpose	267,241,697	(94,787,007)
Business (Loss)/Profit Applicable Taxation	197,983,226	91,446,393
Tax Rate	10%	10%
Exempt Other Income	25,938,787	23,003,709
Liabe Other Income	47,137,425	38,922,025
Accounting Profit/Loss Chargeable to Income Taxes		-
Tax Rate	10%	28%
Tax on Chargeable Profit or Income	24,512,065	20,042,806
Tax Effect on Deduction Under Section 32	(8,579,223)	(11,568,859)
Provision for the Year (Tax on Adjusted Income @ 10%)	15,932,842	8,473,947

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 Department.

10. EARNINGS 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, 2015 Rs.	Nine Months Period Ended, 31st December, 2014 Rs.
Net Profit Attributable to Ordinary Shares	(16,650,157)	241,957,917
Weighted Average Number of Ordinary Share	31,945,406	31,945,406
	(0.52)	7.57

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 loss per share as shown above.

11. PROPERTY, PLANT AND EQUIPMENT

Description of Assets	Cost/Valuation			Depreciation			Written Down Value	
	Balance As At 01.01.2015 Rs.	Additions Rs.	Balance As At 31.12.2015 Rs.	Balance As At 01.01.2015 Rs.	Charge for the Year Rs.	Balance As At 31.12.2015 Rs.	As At 31.12.2015 Rs.	As At 01.01.2015 Rs.
Freehold								
Land	3,250,000	-	3,250,000	-	-	-	3,250,000	3,250,000
Buildings	141,529,868	4,130,604	145,660,472	48,700,956	6,662,940	55,363,896	90,296,576	92,828,912
Plant and Machinery	1,385,363,901	483,508,661	1,868,872,562	485,821,797	173,953,840	659,775,637	1,209,096,925	899,542,104
Furniture and Fittings	31,272,084	4,759,604	36,031,688	26,227,053	2,962,125	29,189,178	6,842,510	5,045,031
Laboratory Equipment	35,146,088	10,904,482	46,050,570	31,194,645	2,887,899	34,082,544	11,968,026	3,951,443
Motor Vehicles	108,821,762	156,990	108,978,752	86,144,067	12,131,122	98,275,189	10,703,563	22,677,695
Tools and Equipment	202,862,389	3,600,761	206,463,150	182,157,545	8,383,152	190,540,697	15,922,453	20,704,844
Bottles and Crates	275,204,623	1,581,707	276,786,330	234,022,135	14,945,684	248,967,819	27,818,511	41,182,488
Computer Equipment	23,117,996	4,066,082	27,184,078	19,278,100	2,196,556	21,474,656	5,709,422	3,839,896
Computer Software	2,587,209	-	2,587,209	2,587,209	-	2,587,209	-	-
Bottle Coolers	114,916,432	22,874,080	137,790,512	64,617,769	20,809,567	85,427,336	52,363,176	50,298,663
Office Equipment	5,996,074	410,787	6,406,861	4,888,907	553,901	5,442,808	964,053	1,107,167
Milk Cans	52,246,567	4,292,919	56,539,486	43,704,840	2,540,023	46,244,863	10,294,623	8,541,727
	2,382,314,993	540,286,677	2,922,601,670	1,229,345,023	248,026,809	1,477,371,832	1,445,229,838	1,152,969,970
Leasehold								
Motor Vehicles	48,000,958	-	48,000,958	1,244,098	12,000,240	13,244,338	34,756,620	46,756,860
	48,000,958	-	48,000,958	1,244,098	12,000,240	13,244,338	34,756,620	46,756,860
Total	2,430,315,951	540,286,677	2,970,602,628	1,230,589,121	260,027,049	1,490,616,170	1,479,986,458	1,199,726,830

10.1 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 for the year.

12. CAPITAL WORK-IN-PROGRESS

	Balance As At 01.01.2015 Rs.	Incurred During the Period Rs.	Capitalized During the Period Rs.	Balance As At 31.12.2015 Rs.	Balance As At 01.01.2015 Rs.
Construction of Waste Water Treatment Plant	16,345,529	-	-	16,345,529	16,345,529
Construction of New Milk Factory - Badalgama	1,464,764	427,707,564	-	429,172,328	1,464,764
Installation of Chill Water Plant - DMF	-	1,811,543	1,811,543	-	-
U.H.T Spareparts and Civil Construction - DMF	5,000	-	5,000	-	-
Construction of Gatabe Sales Outlet	150,000	-	-	150,000	5,000
Installation of Cold Room - PMF	11,366,880	-	11,366,880	-	11,366,880
Installation of Cold Room - CMF	8,972,700	-	8,972,700	-	8,972,700
Installation of Cup & Cone Filler - DMF	15,445,587	-	-	15,445,587	15,445,587
Cheese Processing Room - DMF	3,952,704	-	3,952,704	-	3,952,704
Digana Canteen	16,016	1,299,607	-	1,315,623	16,016
Yoghurt Mix Plant	104,177,780	-	-	104,177,780	104,177,780
Modernization of Factories- Polonnaruwa, Ambewela and Digana (Refer Note 21) *	5,785,163,423	832,396,846	449,881,311	6,167,678,958	5,785,163,423
Milk Collecting Centres - Digana	-	1,495,674	-	1,495,674	-
Steam Pipeline Systems	-	619,577	619,577	-	-
	<u>5,947,060,383</u>	<u>1,265,330,811</u>	<u>476,609,715</u>	<u>6,735,781,479</u>	<u>5,947,060,383</u>

12.1 As detailed in note no 22 to these financial statements, modernization of the above factories (The Project) has been financed by a loan granted by the Treasury of the Government of Sri Lanka. As a result, interest and other borrowing cost amounting to Rs. 780,998,504/- which are directly attributable to this project have been capitalized.

		As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
13. LONG TERM ADVANCES			
Advance to DESMI - Relocate CMF at Badalgama		3,077,925,645	-
		<u>3,077,925,645</u>	<u>-</u>
As detailed in note no 29 (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	172,177,777	193,182,240
Work-in-Progress		6,282,572	6,537,381
Finished Goods		153,986,791	168,178,235
Consumables	14.2	292,150,329	290,096,307
Goods in Transit	14.3	36,725,050	7,901,442
Provision for Inventory	14.4	(11,352,785)	(11,352,785)
		<u>649,969,734</u>	<u>654,542,820</u>
14.1 Raw and Packing Materials			
Raw Materials - Dairy Production		15,838,174	23,758,376
Packing Material		132,039,034	138,058,898
Raw and Packing Materials - Cattle Feed		3,016,521	3,016,521
Raw Milk Stock		13,585,878	9,667,271
Bottle Cooler Stock		4,157,980	2,111,503
Drugs and Other Stock		3,540,190	16,569,671
		<u>172,177,777</u>	<u>193,182,240</u>
14.2 Consumables			
General Stores		32,916,919	28,635,195
Engineering Stores		224,291,349	205,928,198
Motor Stores		10,894,011	10,849,813
Fuel and Lubricant Stores		16,986,743	27,551,393
Milk Can Stock		7,061,307	17,131,708
		<u>292,150,329</u>	<u>290,096,307</u>
14.3 Goods In Transit			
Finished Goods in Transit		31,752,069	6,301,146
Goods in Transit Lab Equipment		125,798	125,798
Raw Milk In Transit		2,907,183	1,096,877
Yogurt Culture		1,940,000	377,621
		<u>36,725,050</u>	<u>7,901,442</u>
14.4 Provision For Inventory			
Packing Material		(10,082,202)	(10,082,202)
General Stores		(213,355)	(213,355)
Engineering Stores		(986,334)	(986,334)
Fuel Stores		(70,894)	(70,894)
		<u>(11,352,785)</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. 33 to these financial statements.			

		As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
15. TRADE AND OTHER RECEIVABLES			
Trade Receivables	15.1	575,924,898	479,972,561
Receivable from the Government of Sri Lanka	15.2	24,790,995	410,281,435
Other Debtors	15.3	18,305,151	15,841,047
Advances, Deposits and Prepayments		130,838,480	132,469,630
Staff Debtors	15.4	156,911,216	162,208,515
Import Control		4,627,297	4,471,929
Interest Receivable on Fixed Deposits		18,652,884	29,103,348
WHT Receivables		-	10,493,879
		<u>930,050,921</u>	<u>1,244,842,344</u>
15.1 Trade Receivables			
Total Debtors		625,017,274	528,071,282
Less: Provision for Impairment		<u>(49,092,376)</u>	<u>(48,098,721)</u>
		<u>575,924,898</u>	<u>479,972,561</u>
15.2 Receivable from the Government of Sri Lanka			
Receivable from the Ministry of Livestock and Development - Expenses		6,792,787	6,792,787
Receivable from Government of Sri Lanka - Milk Payment Subsidy - Current		466,433,857	54,864,722
Receivable from Government of Sri Lanka - Milk Payment Subsidy - Before 2006		-	34,771,803
Receivable from Government of Sri Lanka - Kiriya Conversion		-	347,961,144
Receivable from Government of Sri Lanka - Milk Industries Lanka - Current Account		-	1,117,225
Receivable from Parliament Affairs		94,333	94,333
		<u>473,320,977</u>	<u>445,602,014</u>
Less: Provision for Impairment		<u>(448,529,982)</u>	<u>(35,320,579)</u>
		<u>24,790,995</u>	<u>410,281,435</u>
As per the agreement referred to in note no. 1.1 to these financial statements, as described by a letter dated 08th August, 2000 received from the Public Enterprises Reform Commission, the company had recognized a receivable from the Government of Sri Lanka considering any additional liabilities resulted from the liabilities prevailed as at 03rd February, 1998.			
Based on the advices received from Public Enterprises and the confirmation received from IRD dated on 02nd February 2016 and with the approval of the board, company had settled such receivables against the payables to the Government by means of taxes and other statutory payments mentioned in note no. 26 during the year.			
15.3 Other Debtors			
Total Receivables		<u>18,305,151</u>	<u>15,841,047</u>
		<u>18,305,151</u>	<u>15,841,047</u>
15.4 Staff Debtors			
Total Receivables		<u>156,911,216</u>	<u>162,208,515</u>
		<u>156,911,216</u>	<u>162,208,515</u>

MILCO (PVT) LTD

NOTES TO THE FINANCIAL STATEMENTS



	As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
16. FINANCIAL INSTRUMENT - HELD TO MATURITY		
16.1 Long-Term Fixed Deposits		
Fixed Deposits - BOC - US \$	717,851,460	621,388,159
Fixed Deposits - PB	250,000,000	375,000,000
	<u>967,851,460</u>	<u>996,388,159</u>
Investments pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in note no. 33 to these financial statements.		
16.2 Short-Term Fixed Deposits		
Bank of Ceylon - Overseas Customer Unit	300,509	-
Fixed Deposits - People's Bank	150,000,000	265,000,000
Call Deposits	4,042	1,043
	<u>150,304,551</u>	<u>265,001,043</u>
17. CASH AND CASH EQUIVALENTS		
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>
18. STATED CAPITAL		
Stated Capital in Numbers	<u>Nos. 31,945,406</u>	<u>Nos. 31,945,406</u>
Stated Capital in Value	<u>Rs. 319,454,060</u>	<u>Rs. 319,454,060</u>
	<u>As at 31st December, 2015 Rs.</u>	<u>As at 31st December, 2014 Rs.</u>
19. CAPITAL RESERVE		
19.1 Reserve on Acquisition and Upgrading of Plant and Machinery		
Transferred from Retained Earnings	25,000,000	25,000,000
	<u>25,000,000</u>	<u>25,000,000</u>
The above Reserve is created from the Revenue Reserve during the year of 2008/2009 which would be utilized for acquisition of heavy plant and machinery such as power plant, sterilizer etc.		
20. 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.

		As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
21. DEFERRED TAX LIABILITY			
At the Beginning of the Year		23,679,444	25,952,174
Charge (to)/from Statement of Comprehensive Income		4,535,056	(2,272,730)
At the End of the Year		<u>28,214,500</u>	<u>23,679,444</u>
21.1 Tax effect on Temporary Difference on Property, Plant and Equipment		95,096,024	86,586,316
Tax effect on Temporary Difference on Retirement Benefit Obligations		(51,689,100)	(50,156,402)
Less: Tax effect on Temporary Differences on Tax Losses		<u>(15,192,423)</u>	<u>(12,750,470)</u>
Probable Deferred Tax Liability		<u>28,214,501</u>	<u>23,679,444</u>
The differerd 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 unsued tax losses can be utilized.			
22. LOANS AND BORROWINGS			
22.1 Interest Bearing Borrowings			
Payable within One Year	22.1.1, 22.1.2 and 22.1.3	1,119,615,137	883,008,244
Payable after One Year	22.1.1, 22.1.2 and 22.1.3	5,671,067,321	459,037,810
		<u>6,790,682,458</u>	<u>1,342,046,054</u>
22.1.1 Gross Lease Creditor			
Balance at the Beginning of the Year		97,470,406	77,101,968
Add: During the Year Additions		-	50,205,768
Less: During the Year Payments		<u>(48,707,299)</u>	<u>(29,837,330)</u>
Balance at the end of the Year		<u>48,763,107</u>	<u>97,470,406</u>
Interest in Suspense			
Balance at the Beginning of the Year		16,111,732	14,582,920
On Lease Facility Obtained During the Year		-	10,339,518
Less: Amount Transferred to Statement of Comprehensive Income		<u>(9,267,134)</u>	<u>(8,810,706)</u>
Balance at the End of the Year		<u>6,844,598</u>	<u>16,111,732</u>
Net Liability		<u>41,918,509</u>	<u>81,358,674</u>
Current Maturity Portion		19,693,414	39,378,455
Long-Term Maturity Portion		<u>22,225,095</u>	<u>41,980,220</u>
		<u>41,918,509</u>	<u>81,358,675</u>
22.1.2 Bank Loans and Borrowings			
Balance at the Beginning of the Year		495,538,943	533,498,574
Received During the Year		-	20,012,750
Less: During the Year Payments		<u>(78,628,337)</u>	<u>(57,972,381)</u>
Balance at the End of the Year		<u>416,910,606</u>	<u>495,538,943</u>
Current Maturity Portion		79,469,260	78,481,353
Long-Term Maturity Portion		<u>337,441,346</u>	<u>417,057,590</u>
		<u>416,910,606</u>	<u>495,538,943</u>



	As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
22. LOANS AND BORROWINGS (Contd...)		
22.1 Interest Bearing Borrowings (Contd...)		
22.1.3 Borrowings From Treasury of The Government of Sri Lanka		
Balance at the Beginning of the Year	765,148,436	-
Granted During the Year	5,566,704,907	765,148,436
Less: During the Year Payments	-	-
Balance at the End of the Year	6,331,853,343	765,148,436
Current Maturity Portion	1,020,452,463	765,148,436
Long-Term Maturity Portion	5,311,400,880	-
	<u>6,331,853,343</u>	<u>765,148,436</u>

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 2015, the project was in progress and the company has received 48 shipments of PPE items.

Assets pledged as collaterals to above loans and borrowings are disclosed in note no. 33 to these financial statements.

	As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
22. LOANS AND BORROWINGS (Contd...)		
22.2 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. PAYABLE TO THE TREASURY OF GOVERNMENT OF SRI LANKA		
Long-Term Payables on shipments received (Refer Note 22)	300,640,103	5,020,014,987
Long Term Payables on Badalgama Relocation of Milk factory	3,498,427,010	-
	<u>3,799,067,113</u>	<u>5,020,014,987</u>
Long term payable amounting to Rs.3,498,427,010/- includes 30% advance payment from EURO 63,935,641 amounting to EURO 19,180,692/-, EURO 2,234,919/- as (Eksport Kredit Fonden/Export Credit Fund) EKF Premium and EURO 385,517/- as loan structuring fees (@ exchange rate of 160.47) had been made by the Treasury of Government of Sri Lanka on behalf of the company. (Refer Note 29 (b))		
24. RETIREMENT BENEFIT OBLIGATION - GRATUITY		
Balance at the Beginning of the Year	501,564,018	434,250,501
Current Service Cost	29,051,307	22,136,410
Interest Cost	50,156,402	35,825,666
(Gain)/Loss from Changes in Assumption	(43,506,458)	27,031,726
Payment Made During the Year	(20,374,268)	(17,680,285)
Balance at the End of the Year	<u>516,891,001</u>	<u>501,564,018</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, 2015. 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	11% p.a	10% 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%	*	(18,294,215)	483,269,803
-1%	*	53,332,650	554,896,668
**	1%	56,908,176	558,472,194
**	-1%	(21,989,502)	479,574,516

* Salary Increment Rate 10% for the Company

** Discount Rate 11%

MILCO (PVT) LTD

NOTES TO THE FINANCIAL STATEMENTS



		As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
25 GOVERNMENT GRANT			
25.1	Balance at the Beginning of the Year	79,866,848	41,162,342
	Grant Received During the Year	3,017,633	49,932,434
	Grant Recognized to the Statement of Comprehensive Income During the Year	(22,222,444)	(11,227,928)
	Balance at the End of the Year	60,662,036	79,866,848
25.2 Deferred Government Grant			
	Grant of Samanthurai	1,346,800	1,492,400
	Grant of Thimilathive	1,665,000	1,845,000
	Grant of Milk Cans	3,207,024	114,392
	Grant of Assets	209,627	1,644,687
	Grant of 14 Sales Outlets	843,750	918,750
	Grant of LCRD	53,389,835	73,851,619
		60,662,036	79,866,848
26. TRADE AND OTHER PAYABLES			
	Trade Creditors	133,475,306	122,190,330
	Expense Creditors	149,573,073	144,705,441
	Other Payables	205,214,130	642,408,426
		488,262,509	909,304,197
26.1	Other payables were included Rs.503,780,960/= which was outstanding from the date on which the assets and liabilities were transferred to "Milco (Private) Limited" from "Kiriya Milk Industries of Lanka (Pvt) Limited.		
	Based on the advices received from Public Enterprises, the confirmation received from IRD dated on 02nd February 2016 and with the approval of the board, company had settle such payables against the receivables from Government of Sri Lanka.		
		As at 31st December, 2015 Rs.	As at 31st December, 2014 Rs.
27. INCOME TAXATION			
	Income Tax Payables /(Receivables)	(5,461,005)	29,629,285
	WHT Receivables	(4,100,575)	-
	ESC Receivables	(11,832,267)	(25,971,121)
		(21,393,847)	3,658,164
27.1	Income Tax Payables/Receivables		
	Balance at the Beginning of the Year	29,629,285	29,629,285
	Add: Provision for the Year - Income Tax	15,932,842	8,473,947
		45,562,127	38,103,232
	Less: Payments Made During the Year		
	Write back of over provision	(35,090,290)	-
	Tax Credits Set Off Against Liabilities - ESC	(15,932,842)	(8,473,947)
	Gross Income Tax Payable	(5,461,005)	29,629,285
28. BANK OVERDRAFTS			
	Bank of Ceylon - 1758	-	165,781,183
	Bank of Ceylon - 1766	49,545,772	1,642,345
	People's Bank - 41180210331	185,454,961	340,970,039
	People's Bank - 41120210937	7,927,131	27,283,182
	Bank of Ceylon - 1471	1,437,375	1,522,183
	Fund Transfers	89,366	89,366
	BOC - Kandy City Branch - 1279942	175,785,086	1,109,303
		420,239,691	538,397,601

29. 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 5.3mn is to be incurred on the project.

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 243Mn.

- (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 into an on-lending agreement on behalf of Milco (Private) Limited with Hong kong and Shanghai Banking Limited (HSBC) for the borrowing of Euro 63.9mn from the aforesaid party under the following conditions and the formal loan agreement between the company and Treasury of Government of Sri Lanka under consideration.

- 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 treasury Milco (Pvt) Ltd as an advance payment pursuant to the terms of contract
- iv. Overdue charges at 2% per annum, in the event of default of payments.

As at 31st December 2015, the project was not in progress and Treasury of Government of Sri Lanka made a 30% advance payments amounting to EURO 19,180,692, EURO 2,234,919 as (Eksport Kredit Fonden/Export Credit Fund) EKF Premium and EURO 385,517 as Loan Structuring Fee on 22/10/2015. (Refer Note No. 22)

Further, Project was started on 18th May 2016, the contractor had received 21 shipment as of 4/1/2017 for a Value of Euro 31,809,342.44 (100% value of shipments received).

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

30.1 Contingent Liabilities

There are no contingent liabilities as at the reporting date.

30.2 Contingent Assets

There are no contingent assets as at the reporting date.

31. RELATED PARTY DISCLOSURE

31.1 Substantial Shareholding and Ultimate Ownership

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

31.2 Key Management Personnel Information

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

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

	For the Year Ended, 31st December, 2015 Rs.	Nine Months Period Ended, 31st December, 2014 Rs.
Short Term Employee Benefits	6,807,283	10,514,243

31. RELATED PARTY DISCLOSURE (Contd...)

31.3 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.

32. COMPARATIVE INFORMATION

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

33. 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 31.12.2015 Rs.	Balance Outstanding As At 31.12.2014 Rs.	Repayment	Assets Pledged
Loan granted by Bank of Ceylon	700,000,000	396,666,580	466,666,600	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	7,936,641	10,760,860	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	7,417,207	11,565,355	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	5,229,790	6,546,128	Repayable in 48 equal monthly instalments of Rs.205,735/-	Toyota Vangurd Jeep
Bank Overdraft facility provided by Bank of Ceylon	59,000,000	49,545,772	167,423,528	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	330,000,000	193,382,092	368,253,221	On Demand	Fixed Deposits Amounting to Rs.375,000,000 of People's Bank.

34. 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.

35. COMPARATIVE FIGURES

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 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 - Held to Maturity	1,118,156,011	1,118,156,011
Trade and Other Receivables	321,781,236	321,781,236
Cash and Cash Equivalents	33,253,706	33,253,706
Total Financial Assets	1,473,190,953	1,473,190,953
Financial Liabilities		
Trade and Other Payables	488,262,507	488,262,507
Interest Bearing Loans and Borrowings	6,426,547,093	6,426,547,093
Payable to the Treasury of Government of Sri Lanka	4,208,429,961	4,208,429,961
Bank Overdraft	420,239,691	420,239,691
Total Financial Liabilities	11,543,479,252	11,543,479,252

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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

37.1 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.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

37.1 Introduction (Contd.....)

Principal Financial Instruments

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

Instrument	Risk(s)
• Trade Receivables	Credit risk
• Cash and Cash Equivalents	Liquidity risk
• Trade and Other Payables	Liquidity risk
• Bank Overdrafts	Liquidity risk
• Bank Loans	Interest rate risk/ Liquidity risk

37.2 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.

37.3 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.

37.3.1 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	-	818,156,011	300,000,000	-	-	1,118,156,011
Trade and Other Receivables	-	248,540,869	29,985,585	41,748,560	1,506,222	321,781,236
Cash and Cash Equivalents	33,253,706	-	-	-	-	33,253,706
Total Financial Assets	33,253,706	1,066,696,880	329,985,585	41,748,560	1,506,222	1,473,190,953
Financial Liabilities						
Trade and Other Payables	-	476,142,851	876,716	5,001,190	6,241,750	488,262,507
Interest Bearing Loans and Borrowings	765,148,436	12,876,847	1,085,343,725	3,286,270,893	1,276,907,192	6,426,547,093
Payable to the Treasury of Government of Sri Lanka	-	-	-	-	4,208,429,961	4,208,429,961
Bank Overdraft	420,239,691	-	-	-	-	420,239,691
Total Financial Liabilities	1,185,388,127	489,019,698	1,086,220,441	3,291,272,083	5,491,578,903	11,543,479,252
Total Net Financial Assets/ (Liabilities)	(1,152,134,421)	577,677,182	(756,234,856)	(3,249,523,523)	(5,490,072,681)	(10,070,288,299)

37.4 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, 2015

The company has changed its financial period ending date from 31st March, to 31st December during 2014. Twelve months Statement of comprehensive income has been prepared by proportionating the audited nine months financial statements in 2014 for the comparison purposes.

	For the Year Ended 31st December, 2015 Rs.	For the Year Ended 31st December, 2014 Rs.
Revenue	7,584,727,777	7,503,494,213
Cost of Sales	(7,011,965,727)	(6,475,530,496)
Gross Profit	572,762,050	1,027,963,717
Other Operating Income	353,057,479	233,019,391
	925,819,529	1,260,983,108
Administrative Expenses	(617,282,945)	(630,023,172)
Distribution Expenses	(201,941,435)	(252,182,873)
Other Expenses	(67,777,030)	(1,798,536)
Profit from Operations	38,818,119	376,978,527
Finance Income	73,076,212	82,567,645
Finance Expenses	(108,076,590)	(128,667,327)
Net Profit/(Loss) Before Taxation	3,817,741	330,878,845
Income Tax Expenses	(20,467,898)	(8,268,289)
Net Profit/(Loss) for the Year after Taxation	(16,650,157)	322,610,556
Other Comprehensive Income		
Actuarial Gains/(Loss) on Defined Benefit Plan, Net of Taxes	43,506,458	(36,042,301)
Total Other Comprehensive Income Net of Tax	43,506,458	(36,042,301)
Total Comprehensive Income	26,856,301	286,568,255
Basic Earnings Per Share	(0.52)	10.10

Figures in brackets indicate deductions.

MILCO (PVT) LTD

FOR THE NINE MONTHS PERIOD ENDED 31ST DECEMBER, 2014



		2015 Jan/Dec	2014 Apr/Dec	2013/2014	2012/2013	2011/2012	2010/2011
<u>OPERATION RESULTS</u>							
Turnover (Net)	Rs. 000'	7,584,727	5,627,620	7,019,769	6,385,234	5,263,152	4,548,974
Gross Profit	Rs. 000'	572,762	770,972	1,005,692	486,433	221,896	536,949
Profit before tax	Rs. 000'	3,817	248,159	161,107 (	267,468 ) (	244,788)	110,664
Income tax Expenses	Rs. 000' (	20,467 ) (	6,201 ) (	20,699 ) (	30,555 ) (	10,918 ) (	27,472)
Profit After Tax	Rs. 000' (	16,650)	241,958	140,408 (	298,023 ) (	255,706)	83,192
<u>BALANCE SHEET</u>							
Stated Capital	Rs. 000'	319,454	319,454	319,454	319,454	319,454	319,454
Retained earnings	Rs. 000'	1,257,791	1,230,935	911,973	745,596	1,035,313	1,191,279
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>1,940,390</u>	<u>1,913,534</u>	<u>1,594,572</u>	<u>1,428,195</u>	<u>1,717,912</u>	<u>1,873,878</u>
Property Plant & Equipment	Rs. 000'	12,261,545	8,143,175	2,244,073	2,123,362	2,275,337	664,893
Net Current Assets/(Liabilities)	Rs. 000' (	243,145 ) (	143,370)	431,475	445,668	537,718	1,629,923
Long term/(Deferred Liabilities)	Rs. 000' (	10,078,010 ) (	6,086,271 ) (	1,080,976 ) (	1,140,836 ) (	1,095,144 ) (	308,160)
<u>RATIOS</u>							
Earning per share	Rs.	(0.52)	7.57	4.40	(9.33)	(8.00)	2.60
Total Assets to share holders fund/ times		7.24	5.40	2.84	2.94	2.37	1.63
Net Assets per share	Rs.	60.74	59.90	46.79	44.71	53.78	62.19
Return on share holders equity	%	1.38	11.23	10.43	(20.29)	(14.88)	4.19
Gross Profit Ratio	%	7.55	13.70	14.33	7.62	4.22	11.80
Net Profit Ratio	%	(0.22)	4.30	2.00	(4.67)	(4.86)	1.83
Current Assets Ratio/ Times		0.88	0.94	1.23	1.27	1.43	2.73
Quick Assets Ratio (Times)		0.05	0.66	0.91	0.94	1.04	2.36