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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, 0112582331-4, 0112586872 - Fax: 0112368082/ 0115333328 - 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 Secretary	- International Consultancy and Corporate Services (Pvt) Ltd. No 160, Baudhaloka Mawatha, Colombo 04.																
Director	<table><tr><td>- Mr. Kumar Abeysinghe</td><td>- Chairman</td></tr><tr><td>Mr. N.M.K.P. Nawarathne</td><td>- Deputy Chairman</td></tr><tr><td>Mr. Romy Jauffer</td><td>- Working Director</td></tr><tr><td>Mr. W.D.P. Fonseka</td><td>- Director</td></tr><tr><td>Mr. D. Venkateshwaran</td><td>- Director</td></tr><tr><td>Mr. C.B. Herath</td><td>- Director</td></tr><tr><td>Mr. S.I.M.M. Nazvar</td><td>- Director</td></tr><tr><td>Ms. M. Anoma Nandini Jayamaha</td><td>- Director</td></tr></table>	- Mr. Kumar Abeysinghe	- Chairman	Mr. N.M.K.P. Nawarathne	- Deputy Chairman	Mr. Romy Jauffer	- Working Director	Mr. W.D.P. Fonseka	- Director	Mr. D. Venkateshwaran	- Director	Mr. C.B. Herath	- Director	Mr. S.I.M.M. Nazvar	- Director	Ms. M. Anoma Nandini Jayamaha	- Director
- Mr. Kumar Abeysinghe	- Chairman																
Mr. N.M.K.P. Nawarathne	- Deputy Chairman																
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Mr. W.D.P. Fonseka	- Director																
Mr. D. Venkateshwaran	- Director																
Mr. C.B. Herath	- Director																
Mr. S.I.M.M. Nazvar	- Director																
Ms. M. Anoma Nandini Jayamaha	- Director																
Auditors	- Internal M/ S SJMS Associates, No. 02. Castle Lane, Colombo 04. - External M/S Amerasekera & Co, No:12, Rotunda Garden, Colombo 03.																
Bankers	- Peoples Bank - Bank of Ceylon																

It gives me great pleasure to present a review of the Company's performance for the year ended 31st March, 2010.

The Company's turn over during the year under review showed a reasonable growth of 12% over the previous year. A Total turnover of Rs. 4.7 billion was achieved as compared with Rs. 4.2 billion for the 2009/2010.

The profitability of the Company for the year under reference was Rs. 339 million was before tax. As per the request made by the treasury to build up a working Capital for 06 months, the company managed to reserve a sum of Rs. 935 Million as at to-date. The requirement is Rs. 2.1 billion for the payment of milk, raw and packaging, salaries etc. for this purpose. The reserved working capital is placed on fixed deposits with the state banks namely Bank of Ceylon, People's Bank and the State Mortgage Bank on reasonable interest rates ranging from 8.5% - 9.0% per annum.

Milk Collection and Procurement

The milk collection activities were hampered during the later part of last year and the beginning of this year due to heavy floods and death of approximately 75,000 animals. However, due to good efforts by the MILCO team in the field, the situation has improved remarkably collection moving upto approximately 185,000 Ltrs per day at present. There are 2300 farmer managed societies giving milk to MILCO from all corners of Sri Lanka. There are 77 Chilling Centres spread in the country to chill the milk and transport to the four (4) factories. The details of comparative collection is given below.

Year	Ltrs. (Million)	Growth %
2006	53.46	
2007	53.98	+ 0.97
2008	53.40	-1.07
2009	54.85	+2.71
2010	55.51	+1.20

Fresh Milk Quality

It is of paramount importance that the milk quality is well preserved organoleptically and bacteriologically to produce excellent food products. As a first measure since the later part of last year the milk is collected daily from the Chilling Centres to the factories. In addition farmer training programmes have been arranged for fresh milk production and basic milk hygiene practices.

Production

MILCO has four (4) manufacturing facilities namely Colombo (Narahenpita), Digana, Ambewela and Polonnaruwa. The total products manufactured are from the fresh milk collected from the farmers in Sri Lanka. There are Ten (10) Categories and 52 Stock keeping units are made available to the consumers under the "HIGHLAND" brand. The categories are, pasteurized and sterilized liquid milk, yoghurt, ice Cream, butter, ghee, cheese, curd, condensed milk and full cream milk powder. In addition to this product portfolio, it's our intention to introduce "HIGHLAND SPRING" mineral drinking water and chocolate.



Sales & Marketing

MILCO has 115 distributors spread in the country to distribute the finished products. The sales force consist 26 Sales Representatives, 07 Area Managers and 06 Administrative Staff. In addition the Company has 11 Sales Centres with 50 Staff members. The country has been demarcated in to 09 regions for this purpose. Product renovation and innovation is in progress.

MILCO Staff

The establishment of a “Carrier path development” to our staff is very essential. The staffs training for various categories have commenced. A performance development guide with key performance indicators will be established for the year end staff appraisals. The experienced staff is our asset at MILCO. The Company employs a total of 1430 Staff Members of all categories.

General

MILCO has to sort out a few issues to get into the winning path. The main obstacle is the lethargic and insufficient fresh milk growth in the country which arrests the company growth. Our main objective is to own at least a 50% Market share of the milk based product portfolio in the country.

Finally, I thank on behalf of the MILCO Board of Directors to all those who had a part to play in the development of MILCO and the Milk Industry in particular.

CHAIRMAN
MILCO (PVT) LTD

To The Members of Milco (Private) Limited

1. We have audited the accompanying financial statements of **Milco (Private) Limited** which comprise the balance sheet as at March 31, 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on Pages 02 – 18.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
5. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit except for the matters as stated in paragraphs seven, eight, nine and ten. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

6. Except, for the impact on the financial statements, that may arise on rectification of the matters referred to in the following paragraphs seven, eight, nine and ten (7, 8, 9, & 10), in our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2010 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2010 and its results and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
7. The cost of the Farm Tanks included in the Property, Plant and Equipment has been overstated by Rs. 7.5 Mn due to an error in Weighted Average Cost computation.
8. A difference of Rs. 12.5 Mn is identified in Distress loan balance between the balance as reported in the ledger and the reported balance in the payroll system as at the balance sheet date.
9. Throughout the years the availability of assets (Bottles and Crates) that corresponds to the deposits held have not been identified. As a result, there is a doubt whether the value of the deposits held amounting to Rs. 31.4 Mn as per the balance sheet is fairly represent the corresponding physical assets.
10. Further, we draw attention to the matters referred and reported in the management report submitted to the management on even date. This report should be read in conjunction with the management report submitted to the management.

Emphasis of Matter

11. Without qualifying our opinion, we draw attention to Note 13.2 in the Financial Statements wherein, the actual liability or the repayment terms of the liabilities acquired from Kiriya Milk Industries (Pvt) limited cannot be verified due to the non availability of documentary evidence.

Report on Other Legal and Regulatory Requirements

12. These financial statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.



**CHARTERED ACCOUNTANTS
COLOMBO,**



BALANCE SHEET AS AT MARCH 31, 2010

	Note	2010 Rs.	2009 Rs.
ASSETS			
Non - Current Assets			
Property, Plant & Equipment	3	572,074,407	607,598,450
Livestock		444,255	407,971
		572,518,661	608,006,421
Current Assets			
Inventories	4	530,342,807	343,534,136
Trade and Other Receivables	5	734,377,711	610,576,211
Taxation Recoverable		10,493,879	10,493,879
Short -Term Deposits		1,031,983,287	1,023,919,441
Cash and Cash Equivalents		85,400,020	43,490,533
		2,392,597,703	2,032,014,200
Total Assets		2,965,116,364	2,640,020,621
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	6	306,500,020	306,500,020
Replacement / Upgrading of Plant and Machinery	7	25,000,000	25,000,000
Sinking Fund	8	1,689,978	1,689,978
Revaluation Reserve		336,454,462	336,454,462
Retained Earnings		1,108,087,428	836,699,281
Total Equity		1,777,731,889	1,506,343,742
Non - Current Liabilities			
Interest Bearing Loans & Borrowings	9	2,531,302	7,208,907
Non Interest Bearing Loans	10	83,590,654	83,590,654
Deferred Government Grants	11	22,567,086	21,953,383
Other Deferred Liabilities	12	125,097,698	103,544,305
		233,786,740	216,297,249
Current Liabilities			
Trade and Other Payables	13	797,110,764	801,678,569
Income Tax Liabilities		65,578,394	52,512,635
Interest Bearing Loans & Borrowings	9	90,908,579	63,188,426
		953,597,736	917,379,630
Total Equity and Liabilities		2,965,116,365	2,640,020,621

These Financial Statements are in compliance with the requirements of the Companies Act No.7 of 2007.


Chief Finance Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.
The Finance Statements have been approved by the Board on 3rd November 2010.

Signed for and on behalf of the Board by,


Director


Director

Colombo

INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2010



	Note	2010 Rs.	2009 Rs.
Revenue	14	4,093,051,886	4,242,074,424
Cost of Sales		<u>(3,395,561,341)</u>	<u>(3,510,676,580)</u>
Gross Profit		697,490,545	731,397,844
Other Income	15	102,164,981	108,155,924
Distribution Cost	16	(100,074,952)	(80,936,209)
Administrative Expenses	17	(332,794,333)	(377,459,901)
Other Expenses	18	(27,097,320)	(27,650,520)
Finance Cost	19	<u>(964,195)</u>	<u>(1,770,036)</u>
Profit Before Taxation	20	338,724,726	351,737,102
Income Tax Expense	21	<u>(27,871,953)</u>	<u>(19,580,847)</u>
Profit for the Year		<u>310,852,773</u>	<u>332,156,255</u>
Basic Earnings Per Share (Rs.)	22	10.14	10.84



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED MARCH 31, 2010

	Share Capital Rs	Stated Capital Rs	Capital Reserves Rs	Revaluation Reserve Rs	Sinking Fund Rs	Retained Earnings Rs	Total Rs
Balance as at April 01, 2008	306,500,020		25,000,000		1,682,418	429,636,979	762,819,417
Transferred to Stated Capital	(306,500,020)	306,500,020			-	-	-
Profit for the Year	-	-	-	-	-	332,156,255	332,156,255
Transferred to Consolidated Fund - (Dividend)	-	-	-	-	-	(5,500,000)	(5,500,000)
Revaluation Reserve	-	-	-	336,454,462	-	-	336,454,462
(Gain) / Loss Arising from Changes in the Assumptions or Due to (Over) / Under Provision in the previous year	-	-	-	-	-	80,412,977	80,412,977
Transferred to Sinking Fund	-	-	-	-	6,930	(6,930)	-
Profit on Disposal of Cans	-	-	-	-	630	-	630
Balance as at March 31, 2009	-	306,500,020	25,000,000	336,454,462	1,689,978	836,699,281	1,506,343,741
Profit for the Year	-	-	-	-	-	310,852,773	310,852,773
Transferred to Consolidated Fund - (Dividend)	-	-	-	-	-	(39,464,626)	(39,464,626)
Revaluation Reserve	-	-	-	-	-	-	-
(Gain) / Loss Arising from Changes in the Assumptions or Due to (Over) / Under Provision in the previous year	-	-	-	-	-	-	-
Transferred to Sinking Fund	-	-	-	-	-	-	-
Profit on Disposal of Cans	-	-	-	-	-	-	-
Balance as at March 31, 2010	-	306,500,020	25,000,000	336,454,462	1,689,978	1,108,087,428	1,777,731,889

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010



	Note	2010 Rs.	2009 Rs.
Cash Flows from Operating Activities			
Profit Before Taxation		338,724,726	351,737,102
Adjustments for;			
Brought Forward Profit Adjustment		-	-
Depreciation		208,191,757	191,112,761
Income from Investments		(88,453,539)	(67,806,794)
(Profit) / Loss on Sale of Property, Plant & Equipment		(2,090,431)	(399,460)
Provision for Doubtful Debts		-	(1,333,108)
Interest Expenses		964,195	1,770,036
Provision for Defined Benefit Plans - Gratuity		31,794,745	34,497,239
Write Back - Grants		(583,453)	(1,359,963)
Revaluation Loss		-	41,578,456
Write off - Stocks		25,778	23,813
Operating Profit / (Loss) before Working Capital Changes		488,573,777	549,820,081
Working Capital Changes ;			
Inventories		(186,870,733)	(31,241,879)
Trade and Other Receivables		(123,801,500)	(25,728,877)
Trade and Other Payables		(4,567,806)	94,429,097
Cash Generated from / (used in) Operations		173,333,738	587,278,422
Interest Paid		(964,195)	(3,256,610)
Gratuity Paid		(10,241,352)	(6,037,162)
Income Tax Paid		(24,909,378)	(88,534)
Net Cash Flow from / (used in) Operating Activities		137,218,813	577,896,115
Cash Flows from Investing Activities			
Acquisition of Property, Plant & Equipment		(172,971,880)	(161,033,169)
Proceeds from Sale of Property, Plant & Equipment		2,394,598	399,460
Dividend paid		(29,361,442)	-
Interest Received		81,432,195	60,800,339
Net Cash used in Investing Activities		(118,506,529)	(99,833,370)
Cash Flows from Financing Activities			
Repayment of Interest Bearing Loans & Borrowings		(4,055,619)	(3,440,248)
Net Cash Proceeds from Short-Term Loans & Borrowings		1,197,156	12,954,033
Net Cash used in Financing Activities		(2,858,464)	9,513,785
Net Increase / (Decrease) in Cash and Cash Equivalents		15,853,821	487,576,530
Cash and Cash Equivalents at Beginning of the Year		988,537,684	500,961,154
Cash and Cash Equivalents at End of the Year	(Note 23)	1,004,391,505	988,537,684

1. CORPORATE INFORMATION

1.1.1 General

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

The company was incorporated on May 9, 1996 under the name 'Kiriya Milk Industries of Lanka (Pvt) Limited'. The name of the company was changed as 'Milco (Pvt) Limited' with effects from July 23, 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 February 3, 1998 and leasehold rights of the land & buildings used by Milk Industries of Lanka Company Limited as at the same date were transferred to the Company with effect from February 4, 1998. The value of Net Assets so transferred was Rs.306, 500,020/-. Further as per the letter dated August 8, 2000 from Public Enterprises Reform Commission of Sri Lanka, annual lease rentals of leasehold land & 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 & buildings.

The Registered Office of the Company is located at No. 45, Nawala Road, Narahenpita, Colombo 05 and the principal place of business is also at the same place. Major factories of the company are situated at Narahenpita, Ambewela, and Digana. and Polonnaruwa.

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 products.

1.3 Number of Employees

The number of employees at the end of the year was 1,523 (31.03.2009-1,490)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 General Policies

2.1.1 Basis of Preparation

The Balance Sheet, Statements of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes, ("financial statements") of the Company as at March 31, 2010. and for the year then ended, comply in all material respects with the applicable Sri Lanka Accounting Standards.

These financial statements presented in Sri Lanka Rupees have been prepared on a historical cost basis.

2.1.2 Comparative Information

The accounting policies have been consistently applied by the Company and are consistent with that at previous year.

Prior year figures and phrases have been rearranged wherever necessary to conform to the current year presentation.

2.1.3 Foreign Currency Translation

All foreign exchange transactions are converted to Sri Lanka Rupee, 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. Non - monetary assets and liabilities are translated using exchange rates that existed. When the values were determined. The resulting gains and losses are accounted for in the Income Statement.

2.1.4 Taxation

(a) Current Taxes

Pursuant to Section 16 of Inland Revenue Act No 10 of 2006 the profits of the company are exempt from Income Tax for the period of 5 years from April 1, 2006.

(b) Deferred Taxation

Deferred taxation is provided on the liability method. The tax effect of all timing differences which occur where items are allowed for income tax purposes in a period different from that when they are recognized in financial statements is included in the provision at current rates of taxation.

Deferred tax assets are recognized for all deductible timing differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible timing differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred tax asset is reviewed at each Balance Sheet date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

However, no provision is made in these financial statements for Deferred Taxation in view of the tax exemption period enjoyed by the Company.

2.2 Valuation of Assets and their Measurement Bases

2.2.1 Inventories

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

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:-

Materials	- At cost
Finished Goods	- Digana Milk Factory, Colombo Milk Factory - At cost
	- Ambewela - At cost
	- Cattle feed - At cost (Cost is ascertained on weighted average basis)
Work-In-Progress	- At cost of input materials
Other Stocks	- (eg. Consumable& Spares) - At actual cost (on weighted average) Goods in Transit - At Cost

2.2.2 Trade and Other Receivables

Trade Receivables are stated at the amounts they are estimated to realize net of provisions for bad and doubtful receivables. Other receivables are recognised at cost less provision for bad and doubtful debts

2.2.3 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, Cash and Cash Equivalents consist of cash on hand and deposits in banks net of outstanding bank overdrafts, investments with short maturities (i.e. three months or less from the date of acquisition) are also treated as cash equivalents.

2.2.4 Property, Plant and Equipment

(a) Cost

Property, Plant and Equipment is recorded at cost less accumulated depreciation. As per the agreement described in Note 1.1 to these financial statements, Property, Plant and Equipment owned and used by the Milk Industries of Lanka Company Limited should have been transferred to the Company at values assigned based on a valuation performed by the Chief Government Valuer.

However, in the absence of such values, as instructed by the Public Enterprises Reform Commission of Sri Lanka (PERC) through their letter dated August 8, 2000, Property, Plant and Equipment existed in the books of Milk Industries of Lanka Company Limited as at February 3, 1998 were transferred to the Company at their Book Values.

No physical verification of these Property, Plant and Equipment was performed on the day of handing over of these assets to the Company. Land and Building other than the addition made by Milk Industries of Lanka Company Limited is not accounted under Property, Plant and Equipment.

(b) 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.

(c) Depreciation

The provision for depreciation is calculated by using straight line method on the cost of all Property, Plant and Equipment other than Freehold Land. in order to write off such amounts following estimated useful lives are used.

Buildings	Over 20 Years
Plant and Machinery	Over 06 to 10 Years
Furniture and Fittings	Over 03 to 05 Years
Laboratory Equipment	Over 03 to 05 Years
Motor Vehicles	Over 02 to 04 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 04 Years
Software	Over 03 Years
Milk Cans	Over 05 Years

2.2.5 Leases

Finance Leases

Property, Plant and Equipment on finance leases, which effectively transfer to the Company substantially all of the risk and benefits incidental to ownership of the leased item are capitalised at their cash price and disclosed as Property, Plant and Equipment and depreciated over the period the company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an Interest in Suspense Account. The interest element of the rental obligations applicable to each financial year is charged to the income statements over the period of the lease using actuarial method.

2.3 Liabilities and Provisions

2.3.1 Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

The liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date using the projected unit credit method.

However, according to the payment of Gratuity Act, No. 12 of 1983, the liability arises only on the completion of 5 years of continued service.

The Gratuity liability is not externally funded. This item is grouped under non current liabilities in the Balance Sheet.

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

Employees are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The company contributes 12% and 03% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.4 Grants and Subsidies

Grants and Subsidies are recognised at their fair value where there is reasonable assurance that the grant/subsidy will be received and all attaching conditions, if any, will be complied with. When the grant or subsidy relates to an expense item it is recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

Grants and Subsidies related to assets, including non-monetary grants at fair value are deferred in the Balance Sheet and credited to the income Statement over the useful life of the asset.

2.5 Income Statement

2.5.1 Revenue Recognition

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 or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

(a) Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to buyer; with the company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Interest

Interest Income is recognized as the interest accrues.

(c) Other Income

Other income is recognized on an accrual basis.

Net Gains and Losses of a revenue nature on the disposal of Property, Plant and Equipment and other non current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gain and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.5.2 Expenditure Recognition

a) Expenses are recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of Income Statement, the Directors are of the opinion that function of expenses method present fairly the elements of the company's performance, and hence such presentation method is adopted.

c) Transactions with International Dairy Products Limited (IDPL).

Transactions are based on renewable agreement dated June 17, 1980 covering up to December 31, 2010. The cost of milk dispatched to IDPL is recovered based on the "FAT" and "SNF" content. Reimbursable costs were recovered at the rate of Rs.1.15 per liter. This agreement was not renewed after April 10, 2002.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010



3 Property Plant & Equipment

	Balance as at 01.04.2009 Rs.	Revaluation adjustment Rs.	Additions/ Rs.	Disposals/ Transfers Rs.	Revaluation Reserve/ Loss Rs.	Balance as at 31.03.2010 Rs.
3.1 Gross Carrying Amounts						
At Cost						
Buildings	74,738,344	-	14,737,263	-	-	89,475,607
Plant & Machinery	230,845,950	-	105,790,896	-	-	336,636,845
Furniture & Fittings	13,327,427	-	4,143,356	-	-	17,470,782
Lab Equipment	21,115,899	-	4,262,471	-	-	25,378,370
Motor Vehicles	116,659,997	-	664,725	(3,650,000)	-	113,674,722
Tools & Equipment	136,024,828	-	24,737,442	-	-	160,762,271
Bottles & Crates	164,492,693	-	18,717,047	-	-	183,209,740
Computer Equipment	4,491,851	-	4,100,419	-	-	8,592,271
Computer Software	2,587,214	-	(5)	-	-	2,587,209
Bottle Coolers	35,168,033	-	4,423,147	-	-	39,591,180
Office Equipment	2,006,174	-	1,032,660	-	-	3,038,834
Milk Cans	37,527,537	-	2,703,043	-	-	40,230,580
	838,985,947	-	185,312,463	(3,650,000)	-	1,020,648,410
Assets on Finance Leases						
Plant & Machinery	15,431,880	-	-	-	-	15,431,880
	15,431,880	-	-	-	-	15,431,880
Total Value of Depreciable Assets	854,417,827	-	185,312,463	(3,650,000)	-	1,036,080,290

	Balance as at 01.04.2009 Rs.	Incurred During the Year Rs.	Transfers Rs.	Revaluation Reserve/ Loss Rs.	Balance as at 31.03.2010 Rs.
3.2 In the Course of Construction					
Capital Work in Progress - Waste Water	258,060.00	-	827,022.61	-	1,085,083
Capital Work in progress - DMF Net work	684,897	-	-	-	684,897
Capital Work in progress - Ambalanthota MCC	11,117,975	-	(7,145,067)	-	3,972,908
Capital Work in progress - SDMF	1,085,083	-	(1,085,083)	-	-
Capital Work in progress - Ragama Hospital Outlet	124,157	-	(36,000)	-	88,157
Capital Work in progress - Nawala Outlet	-	6,007,290	-	-	6,007,290
Capital Work in progress -Water Treatment Plant CMF	28,513,047	-	(28,950,477)	-	3,100,000
Capital Work in progress -Water Treatment Plant DMF	10,045,741	-	-	-	12,821,873
Capital Work in progress - Karapitiya Hospital Outlet	11,985	-	-	-	11,985
Capital Work in progress - katuwanwila MCC	23,089	217,737	-	-	240,826
Capital Work in progress - Cold Room CMF	6,069,898	-	-	-	7,187,373
Capital Work in progress - Sterilizing Plant CMF	-	-	3,124,586	-	3,124,586
Capital Work in progress - AHU Plant PCMF	-	-	4,100,676	-	4,100,676
Capital Work in progress - CPU PCMF	-	-	5,041,232	-	5,041,232
Capital Work in progress - Karaliyadda	438,428	-	(360,622)	-	77,806
Capital Work in progress - Passara	119,275	-	(119,275)	-	-
Capital Work in progress - Munamaldeniya	569,529	-	(569,529)	-	-
Capital Work in progress - Medawchchiya MCC	-	369,788	-	-	369,788
Capital Work in progress - Thangalla MCC	-	1,200	-	-	1,200
Capital Work in progress - Embilipitiya MCC	-	2,714,296	-	-	2,714,296
Capital Work in progress - Kekirawa MCC	-	3,680,725	-	-	3,680,725
Capital Work in progress - RM Office & Quarters Polgal	-	1,943,927	-	-	1,943,927
Capital Work in progress - RM Office & Quarters Meepe	-	3,924,833	-	-	3,924,833
Capital Work in progress - Ref: Comp 3 -DIMO	-	5,576,678	-	-	5,576,678
Capital Work in progress - Bowser Tank	-	3,031,620	-	-	3,031,620
Capital Working Progress - Youghurt Plant	22,067,176	-	(22,067,176)	-	-
	81,128,341	-	47,992,646	(60,333,229)	68,787,758
Total Gross Carrying Amount	935,546,168	-	233,305,109	(63,983,229)	1,104,868,048

Property Plant & Equipment contd.,

	Balance as at 01.04.2009	Revaluation adjustment	Charge for the Year	Disposals/ Transfers	Balance as at 31.03.2010
	Rs.	Rs.	Rs.	Rs.	Rs.
3.3 Depreciation					
Buildings	17,562,294	-	3,773,605	-	21,335,899
Plant & Machinery	32,733,305	-	42,153,934	-	74,887,239
Furniture & Fittings	4,199,356	-	4,678,696	-	8,878,052
Lab Equipment	6,002,802	-	6,913,070	-	12,915,872
Motor Vehicles	58,228,333	-	57,035,371	(3,345,833)	111,917,871
Tools & Equipment	43,807,766	-	46,617,857	-	90,425,622
Bottles & Crates	120,248,944	-	23,838,092	-	144,087,035
Computer Equipment	1,331,365	-	2,199,000	-	3,530,365
Computer Software	2,024,186	-	343,709	-	2,367,895
Bottle Coolers	13,785,970	-	14,140,467	-	27,926,438
Office Equipment	697,092	-	914,368	-	1,611,460
Milk Cans	25,268,721	-	4,040,401	-	29,309,122
	325,890,133	-	206,648,569	(3,345,833)	529,192,869
Depreciation on Finance Leases					
Plant & Machinery	2,057,584	-	1,543,188	-	3,600,772
	2,057,584	-	1,543,188	-	3,600,772
Total Depreciation	327,947,718	-	208,191,757	(3,345,833)	532,793,641

	2010 Rs.	2009 Rs.
3.4 Net Book Values		
Freehold Assets	560,243,299	594,224,155
On Finance Leases	11,831,108	13,374,295
	572,074,407	607,598,450
At Valuation	-	-
Total Carrying Amount of Property, Plant & Equipment	572,074,407	607,598,450

- 3.5** As per the agreement described in Note 1.1 to these financial statements, Property, Plant and Equipment owned and used by the Milk Industries of Lanka Company Limited should have been transferred to the Company at values assigned based on a valuation performed by the Chief Government Valuer.

However, in the absence of such values, as instructed by the Public Enterprises Reform Commission of Sri Lanka (PERC) through the letter dated 8th August, 2000, Property, Plant and Equipment existed in the books of Milk Industries of Lanka Company Limited as at 3rd February, 1998 were transferred to the company at their Book Values.

- 3.6** No physical verification of these Property, Plant and Equipment were performed on the day of handing over these assets to the company
- 3.7** During the financial year the company acquired Property, Plant & Equipment for the value of Rs. 172,971,880.00 (2008/2009 Rs.161,033,171.00)

3.8 Revaluation

Milco (pvt) Ltd has revalued its Assets except Buildings, Bottles & Crates, Computer Software, Milk Cans, on April 1, 2008 at an aggregate value of Rs 500,409,271.97/- by Mr.S.N.Wijepala Chartered Valuation surveyor (Dip.in Valuation-CTC, B.SC.- Estate Management, M.SC- Urban Land Appraisal) The resultant Surplus on valuation of Rs.336,454,462/ had been crediting to revaluation reserve account. Since the revaluation has been accounted in 31 March 2009 there is a impact on the depreciaton charge for the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010



	2010 Rs	2009 Rs
4 Inventories		
Engineering Stocks	132,604,385	132,187,574
Motor Stores	12,421,259	11,573,848
General Stores	29,220,812	36,724,782
Fuel Stores	12,478,952	10,042,567
Raw Milk	6,567,115	6,713,241
Raw & Packing Materials	72,917,519	47,310,421
Finished Goods	246,930,721	84,596,124
Redundant Packing Material Stores	5,349,136	5,349,136
Import Cost Control	3,136,631	3,853,384
Milk Can Stock	5,576,917	5,411,197
Regions Drugs & Others	9,852,025	8,614,605
	537,055,472	352,376,880
Provision for Obsolete Stock	(11,352,785)	(11,352,785)
	525,702,687	341,024,095
Goods-in-Transit	4,640,120	2,510,041
Total Inventories	530,342,807	343,534,136

4.1 No physical verification was performed on inventory balances that were transferred from Milk Industries of Lanka Company Limited at the time of the transfer of assets.

5 Trade and Other Receivables

5.1 Summary

Trade Debtors	245,952,617	179,080,501
Provision for Doubtful Debts	(44,015,742)	(43,887,772)
	201,936,874	135,192,729
Other Debtors	8,386,583	4,798,962
Provision for doubtful debt	(266,316)	(266,316)
	8,120,267	4,532,646
Advances and Prepayment	56,626,927	21,713,702
Provision for Doubtful Debts	(862,587)	(821,564)
	55,764,340	20,892,138
Receivable from Ministry of Live Stock	37,130,194	36,974,011
Provision for Doubtful Debts	(34,771,803)	(34,771,803)
	2,358,391	2,202,208
Receivable from Government of Sri Lanka (5.1.1)	347,961,144	347,961,144
Milk Industries of Lanka Company Limited - Current Account	1,117,225	1,117,225
Loans to Company Officers	117,119,469	98,678,121
	466,197,838	447,756,489
	734,377,711	610,576,211

5.1.1 This is the net current liability transferred from Milk Industries of Lanka Company Limited to the Company. As per the agreement referred to in Note 1.1 to these financial statements, this is payable by the Government of Sri Lanka to the Company.

Further, as described by the letter dated 8th August, 2000, received from Public Enterprises Reform Commission, the Board of Directors of the Company has decided to account for any additional liabilities resulted from the liabilities prevailed as at 3rd February, 1998 as receivable from the Government of Sri Lanka.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010



6 Stated Capital

6.1 Issued and Fully Paid

		Balance as at 01.04.2009 Rs.	Issued for Cash During the Year	Issued for Non cash Consideration	Balance as at 31.03.2010 Rs.
30,650,002	Ordinary Shares	<u>306,500,020</u>	<u>-</u>	<u>-</u>	<u>306,500,020</u>

7 Replacement / Upgrading of Plant and Machinery

	Balance as at 01.04.2009 Rs.	Transferred During the Year Rs.	Balance as at 31.03.2010 Rs.
Transferred from Retained Earnings	25,000,000.00	-	25,000,000
	<u>25,000,000.00</u>	<u>-</u>	<u>25,000,000</u>

The Replacement / upgrading of Plant and Machinery Fund is created from the Revenue Reserves during the previous financial year, which would be utilized for acquisition of heavy plant and Machinery such as Power Plant, Sterilizer etc.

8 Sinking Fund

	Balance as at 01.04.2008 Rs.	Transferred in 2008/09 Rs.	Balance as at 01.04.2009 Rs.	Transferred in 2009/10 Rs.	Balance as at 31.03.2010 Rs.
Transferred from Retained Earnings	1,499,666	6,930	1,506,596	-	1,506,596
Profit on Disposal of Cans	182,752	630	183,382	-	183,382
	<u>1,682,418</u>	<u>7,560</u>	<u>1,689,978</u>	<u>-</u>	<u>1,689,978</u>

The Sinking Fund is created from the sale proceeds of the cans sold to farmers. the said fund will be used to meet the financial requirement of purchases intended to issue on recovery basis to farmers in future.

9 Interest Bearing Loans & Borrowings

	2010 Amount Repayable Within 1 Year Rs.	2010 Amount Repayable After 1 Year Rs.	2010 Total Rs.	2009 Amount Repayable Within 1 Year Rs.	2009 Amount Repayable After 1 Year Rs.	2009 Total Rs.
Finance Leases (9.1)	4,677,605	423,239	5,100,845	4,055,620	5,100,844	9,156,464
National Milk Board	-	2,108,063	2,108,063	-	2,108,063	2,108,063
Bank Overdrafts	86,230,973	-	86,230,973	59,132,806	-	59,132,806
	<u>90,908,579</u>	<u>2,531,302</u>	<u>93,439,881</u>	<u>63,188,426</u>	<u>7,208,907</u>	<u>70,397,333</u>

9.1 Finance Leases

	2010 Rs.	2009 Rs.
Gross Liability	5,573,738	10,718,726
Finance Charges Allocated to Future Periods	(472,893)	(1,562,261)
Net Liability	<u>5,100,845</u>	<u>9,156,465</u>

10 Non Interest Bearing Loans	83,590,654	83,590,654
The amount represents the cost of property, plant and machinery provided to the company by the Ministry of Agriculture Livestock Development.		

	2010	2009
	Rs.	Rs.
11 Deferred Government Grants		
Balance at Beginning of the Year	21,953,383	10,359,313
Grant Received during the Year	1,197,156	12,954,033
Grants Written Back	(583,453)	(1,359,963)
Balance as at End of the Year	22,567,086	21,953,383

As per the direction given by the Department of Public Enterprises by their letter dated on 10th July 2009, value of the Polonnaruwa Milk Factory has been accounted as government grant directly crediting to share holders interest . Share issue will take place during the period of 2009/2010.

12 Retirement Benefit Obligation - Gratuity		
Balance as at April 01, 2009	103,544,305	155,497,205
Gratuity Charge	7,590,244	6,507,742
Interest Cost	18,637,975	27,989,497
(Gain) / Loss Arising from Changes in the Assumptions or Due to }	5,566,526	(80,412,977)
Payments Made During the year	(10,241,352)	(6,037,162)
Balance as at March 31, 2010	125,097,698	103,544,305

13 Trade and Other Payables		
Trade Payables	92,562,800	106,566,071
Sundry Creditors including Accrued Expenses (Note 13.1)	704,547,963	695,112,498
	797,110,764	801,678,569

13.1 Sundry Creditors including Accrued Expenses		
Turnover Tax Payable - Milco	175,589,499	175,589,499
Defence Levy Payable - Milco	181,838,056	181,838,056
PAYE Payable - Milco	877,583	877,583
Penalties - Turnover Tax	66,027,489	66,027,489
Defense Levy - Milco	78,320,574	78,320,574
Defense Levy - Kiriya	396,413	396,413
PAYE - Milco	460,989	460,989
Surcharge on PAYE	100,581	100,581
Save The Nation Contribution - Milco	880	880
Surcharge on PAYE- Milco	207,816	207,816
NDDB of India	1,701,685	1,701,685
PAYE Payable -	1,129,293	785,948
Withholding Tax (SP)	2,868,145	2,162,280
EPF Payable	6,358,174	5,931,594
ETF Payable	953,720	889,731
Stamp Duty Payable	167,097	182,945
Social Responsibility Levy on PAYE Tax	36,110	40
Accrued Expenses	83,418,313	91,803,234
Other Creditors	30,338,007	33,689,954
VAT - WHT Payable	22,453,054	14,106,466
NBT Payable	11,733,643	3,345,984
Goods and Service Tax Payable	(32,926)	(32,926)
Save the Nation Contribution - Kiriya	(11,592)	(11,592)
Refundable Deposit	39,515,362	31,137,276
Dividend Payable	-	5,500,000
Ministry Live Stock Payable	100,000	100,000
	704,547,963	695,112,498

13.2	An amount of Rs. 505,521,564/- is outstanding from the date on which the assets and liabilities were transferred to " Milco (Private) Limited " from Kiriya Milk Industries of Lanka (Pvt) Limited.
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010

14 Revenue

14.1 Summary

Sales

Turnover Based Taxes

2010
Rs.

2009
Rs.

4,213,434,470.64

4,248,390,675

(120,382,584.43)

(6,316,251)

4,093,051,886

4,242,074,424

15 Other Income

Interest Income - Bank Deposit

Sale of Unused Ghee

Interest Income - Staff Loans

Exchange Profit

Registration of Suppliers

Non - Refundable Deposits

Sales of Unserviceable Items

Amortization of Government Grants

Profit on Disposal of Fixed Assets

Profit on Liquid Milk

88,453,539

67,806,794

604,603

1,632,005

8,985,837

6,914,134

-

27,011,800

34,000

473,000

952,501

296,500

460,617

1,213,472

583,453

1,359,963

2,090,431

399,460

-

1,048,796

102,164,981

108,155,924

16 Selling & Distribution expense

Advertisement & Sales Promotions

Finished Goods transport outwards

Sales Commission

Outlet Expenses

Marketing Expenses

BTT refund

22,311,791

16,805,456

3,682,381

1,207,459

1,745,407

1,448,834

53,010,388

48,247,874

10,068,459

9,831,231

9,256,526

3,395,355

100,074,952

80,936,209

17 Administration Expense

Assets revaluation loss

Advertisement - Tender

Advertisement - Recruitment

Accounting & Audit Fees

Bank charges

Consultancy Charges

Charity & Donations

Circuit Bunglow Expenditure

Directors Emoluments

Depreciation

Entertainment

Hiring Vehicles

Fuel for vehicle

Garden Maintenance

Legal Expenses

Licence for Vehicle

Newspapers & Periodicals

Staff Costs

Security

Sundry Expenses

Postage & Telephone

Printing & Stationery

Insurance

ISO Expenses

Desmni Project expenses

Repairs & Maintenance Motor Vehicles

Repairs & Maintenance Factories & Office

Repairs & Maintenance Furniture & Fittings & Office equipment

Travelling & Subsistence

Rent & Rates

Stock write off

Economic service charges

Pest Control

Electricity

Opening ceremony expenses

Water bottling plant expenses

Quality control expenses

Fines & surcharge

Bad debts

-

40,691,488

805,181

857,757

72,780

518,551

4,126,225

3,836,683

3,814,209

3,890,413

364,111

2,149,201

-

315,000

685,275

391,593

4,360,944

2,178,511

63,036,397

64,343,706

44,117

184,511

16,181,999

9,929,371

21,741,059

26,754,828

4,355,890

5,299,226

2,745,498

1,572,710

245,054

267,122

360,445

330,680

146,943,599

140,628,814

27,253,714

24,428,123

63,851

137,495

5,841,231

5,217,753

8,267,384

6,243,657

4,611,618

4,337,496

121,083

20,524

144,000

-

10,959,102

8,425,319

1,400,843

994,460

3,804,885

3,469,578

4,796,461

3,983,355

2,712,847

2,612,344

25,778

23,813

(9,707,285)

10,623,813

202,732

227,041

837,386

787,776

-

706,496

-

61,870

1,576,679

1,375,678

(757)

(1,623)

-

(355,228)

332,794,333

377,459,901

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2010



	2010 Rs.	2009 Rs.
18 Other Expense		
Loss on Operations of Cattle Feed Plant	16,813,576	20,994,800
Loss on Exchange	4,806,849	-
Loss on NLL	2,728,699	1,731,644
Loss on Model Farm	895,677	836,666
Loss on Sale of Liquid Milk	83,450	-
Loss on Galle Curd Plant	1,769,068	4,087,410
	27,097,320	27,650,520
19 Finance Cost		
Interest Expense on Overdrafts	9,047	86,702
Interest Expense on Ministry Loan	-	-
Finance Charges on Lease Liabilities	955,148	1,683,334
	964,195	1,770,036

20 Profit Before Taxation

Profit before taxation is stated after charging all expenses including following.

Directors' Emoluments	4,360,944	2,178,511
Auditors' Fees	431,250	431,250
Depreciation	208,191,757	191,112,761
Legal Fees	2,745,498	1,572,710
Advertisement & Sales Promotion	17,323,440	9,776,710
Staff Cost		
- Salaries Related Cost	544,149,534	519,791,184
- Defined Benefit Plan Costs - Gratuity	31,794,745	34,497,239
- Defined Contribution Plan Costs - EPF & ETF	53,663,942	51,468,283
- Bonus & Leave Payments	42,794,096	41,622,537

	2010 Rs.	2009 Rs.
21 Income Tax Expense		
As per the Sec 16 of Inland Revenue Act No 10 of 2006, the Profit and Income of the enterprise is exempt from income tax for the period of 5 years, commencing on April 1, 2006.		
Current Income Tax		
Current Tax Expense on Ordinary Activities for the Year (19.1)	27,460,052	19,291,475
Social Responsibility levy on Income Tax	411,901	289,372
	27,871,953	19,580,847

21.1 Reconciliation between Current Tax Expense Accounting Profit.

Taxable Profit (Gross Interest Income)	78,457,291	55,118,500
Statutory Tax Rate on Income	35%	35%
Current Income Tax Expense	27,460,052	19,291,475

The above provision is in respect of the income generated from sources other than sale of milk products.

21.2 Interest Income/Other Income	Tax Liabile Income	Exempt	Total
Overnight Repo /Interest Income	67,014,974	-	67,014,974
Interest on Foreign Currencies	-	21,438,565	21,438,565
Interest on Distress Loan	8,838,123	-	8,838,123
Interest on other staff loan	147,714	-	147,714
Other Income	2,456,481	-	2,456,481
	78,457,291	21,438,565	99,895,857

22 Basic Earning Per Share

The calculation of Basic Earnings per Share is based on the profit attributable to Ordinary Shareholders divided by the weighted average number of Ordinary Shares in issue during the year.

Profit attributable to Ordinary Shareholders (Rs.)	310,852,773	332,156,255
Weighted Average Number of Ordinary Shares (Nos.)	30,650,002	30,650,002
Basic Earnings Per Shares (Rs.)	10.14	10.84

	2010 Rs.	2009 Rs.
23 For the purpose of Cash Flow statement Cash and Cash Equivalents comprised of following		
Favorable Balances		
Cash & Bank Balances	85,400,020	43,490,533
Fixed & Call Deposits	1,031,983,287	1,023,919,441
Interest Receivable on Bank Deposits	(26,760,828)	(19,739,484)
	<u>1,090,622,479</u>	<u>1,047,670,490</u>
Unfavorable Balances		
Bank Overdrafts	(86,230,973)	(59,132,807)
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	<u><u>1,004,391,505</u></u>	<u><u>988,537,684</u></u>

24 Commitments and Contingencies

24.1 Contingencies

Certain employees and past employees have filed cases in the Labour Tribunal against the Company claiming back - wages, re-instatement etc., for arbitration and also fundamental rights cases against the Company.

Since a reasonable estimate of the amount of the resulting loss cannot be made and the outcome is unknown, a provision has not been made in these accounts in respect of the above contingencies.

24.2 Commitments

The company does not have any significant capital commitments as at the balance sheet date.

25 Assets Pledged

The following assets have been pledged as security for liabilities

Nature of Asset	Nature of Liabilities	2010 Rs.	2009 Rs.
Fixed Deposits	Bank Overdraft	<u>-</u>	<u>427,574,036</u>

26 Event Occurring after the Balance Sheet Date

There have not being material events occurred after the Balance Sheet date that require adjustment to or disclosure in the financial statements.

27 Related Party Disclosure

There were no related party transactions as at the Balance Sheet date as per the declarations made by the Directors of the Company.

2009/2010 2008/2009 2007/2008 2006/2007 2005/2006

OPERATION RESULTS

Turnover (Net)	Rs. 000'	4,093,052	4,242,074	3,238,452	2,720,475	2,239,905
Gross Profit	Rs. 000'	697,490	731,398	452,203	256,503	273,169
Profit before tax	Rs. 000'	338,725	351,737	109,374	20,883	95,886
Income tax Expenses	Rs. 000'	(37,975)	(19,581)	(5,107)	(2,415)	(7,090)
Profit After Tax	Rs. 000'	300,750	332,156	104,267	18,468	88,796

BALANCE SHEET

Statet Capital	Rs. 000'	319,454	306,500	306,500	306,500	306,500
Accumulated Profit	Rs. 000'	1,108,087	836,699	426,637	338,026	329,605
Sinking Fund	Rs. 000'	(11,264)	1,690	1,682	1,662	1,611
Reserve for upgrading / replacement of Plant & Machinery	Rs. 000'	25,000	25,000	25,000		
Revaluation Reserve	Rs. 000'	336,455	336,455			
Shareholders fund	Rs. 000'	1,777,732	1,506,344	759,819	646,188	637,716
Property Plant & Equipment & Goodwill	Rs. 000'	572,074	607,598	346,041	312,146	249,546
Net Current Assets/ Liabilities	Rs. 000'	1,452,398	1,114,635	677,114	562,254	603,697
Long term/ Deferred Liabilities	Rs. 000'	(233,787)	(216,297)	(260,678)	(228,542)	(215,526)

RATIOS

Earning per share	Rs.	9.81	10.84	3.40	0.60	2.90
Total Assets to share holders fund/ times		1.66	1.75	2.39	2.66	2.55
Net Assets per share	Rs.	56.06	49.15	24.89	21.08	20.43
Return on share holders equity	%	16.80	22.05	13.67	2.86	14.18
Gross Profit Ratio	%	17.04	17.24	13.96	9.43	12.20
Net Profit Ratio	%	7.35	7.83	3.22	0.68	3.96
Current Assets Ratio/ Times		2.54	2.22	1.84	1.66	1.81
Quick Assets Ratio (Times)		1.98	1.84	1.45	1.31	1.52