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வருடாந்த அறிக்கை
ANNUAL REPORT
2012 - 2013

Our Vision
To be the **"Best in Class"** nutritions food and beverage company in Sri Lanka.

Our Mission
To make our country self sufficient in fresh milk offer a variety of nutritious food products to all segments of the society and for all age group from weaning food.

CONTENTS

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	- 09th May 1996
Date of Re-registration	- 19th 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	- Mr. Sunil Wickremasinghe - Chairman Mr. Sanjaya Leelaratne - Deputy Chairman Mr. Naushard Junaideen - Working Director Mr. S.Loganathan - Director Mr. Ajith Dissanayake - Director Mr. Thilanka Weerasinghe - Director Mr. W.G.R.H.Panditharathne - Director Mr. Mohamed Cader - Director Mr. M.P.D.U.K.Mapa Pathirane - Director
Auditors	- Internal 1. M/ S SJMS Associates, No. 02. Castle Lane, Colombo 04. – April 2012 2. Ernst & Young Advisory Services (Pvt) Ltd, 201, De Saram Place, Colombo 10. – May 2012 onwards -External M/S BDO Partners, No: 65/2, Sir Chittampalam A Gadiner Mawatha, Colombo 02.
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 2013.

The obstacles that were confronted during this period of events resulted in high cost of production of our finished products range. The position grew further due to very old machinery being used for production, the endless machinery breakdown, low manufacturing efficiencies, wastage in production coupled with high energy cost that is presently prevailing in the country.

Although the farmer purchase price was increased, the selling price of products was not totally increased until towards the end of August 2013. As a result with the escalation of cost of goods sold, the company made a substantial loss of Rs. 290 Mn. However, to overcome this situation the management took urgent steps to increase the revenue especially on the product mix and the lines that are profitable. As a result of this effort the revenue for the period under reference was increased by 21%.

Dairy development and milk procurement

A significant change that took place during this period was to handover all the Chilling Centres managed by Milco to the farmer managed Societies. The farmer has become responsible from the time of milking up to time of the dispatch to the factory. It is our intention to ensure the Farmer Societies are facilitated to handover good quality milk at our manufacturing plants.

Fresh Milk Collection

Year	Lts Mn	Growth
2007/2008	53.7	
2008/2009	53.5	(.36 %)
2009/2010	54.5	1.81 %
2010/2011	53.8	(2.46%)
2011/2012	56.9	7.01%
2012/2013	69.2	21.66 %

At present farmer families earn approximately Rs. 9000/- per month by selling milk to Milco.

Fresh Milk Quality

There was no compromise on quality. The improvement in the quality of milk delivered enhanced farmers to earn an extra .39 cents per litre in the year under review.

DESMI Project

It was a long felt need in view of the very old machinery which is over 50 years old to refurbish the present manufacturing plants. A decision was taken to refurbish three factories and to relocate the Colombo Factory at Badalgama. The Colombo factory site is an urbanized area surrounded by many health care facilities which will not be an ideal location for a food manufacturing plant in the future. The refurbishment will be undertaken by DESMI Contracting A/S through a proposal submitted in the year 2008.

The cost of total refurbishment of the three factories will be Euro 33.8 Million. This refurbishment of the three factories will increase the capacity up to 700,000 litres per day from the present capacity of 300,000 litres per day.

Sales & Marketing

The key focus had been during the past 3 years to improve on the right product mix for sales and to strategize marketing on the values of freshness and nutrition coupled with affordability. Milco however does not account for any valuable innovation or renovation from the inception excepting during the recent years. This is the key to our business. Taking into account with a mix of right selling price, increasing the volumes on profitable product lines, eliminating waste and introducing new technology to mention a few initiatives that has increased the monthly sales from Rs. 300 Mn to around Rs. 700 Mn. Our short term thrust is to ensure that we make the land mark figure of Rs. 10 Bn annual sales. The sales training programmes have been established for continuous improvement and to consolidate a sales force that can take up market challenges in the futures.

Milco Staff

The company employs a total strength of 1499 staff members of all categories. In addition employees attend seminar on Leadership Training as well as individual programmes on employee career developments are undertaken at regular intervals.

General

Milco is in the process of sorting out a handful of issues leading to a winning path. The Ministry of Livestock & Rural Community Development has embarked upon a path to increase production of fresh milk and with the commencing of the DESMI project, Milco and Highland no doubt would be the leader in milk based products portfolio in the country.

I wish to thank on behalf of the Board of Directors all those who assisted in the development of Milco and the milk industry in particular.

SUNIL WICKRAMASINGHE

Chairman
Milco (Pvt.) Ltd

18th November 2013

REPORT OF THE DIRECTORS

The Directors of Milco (Pvt) Ltd have pleasure in presenting the Report of the Directors and the Audited Financial Statement for the year ended 31st March 2013.

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 450.6 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 Livestock and Rural Community Development with effect from 13th May 2010.

Mr. Sunil Chandra Sillapana **WICRAMASINGHE – Chairman**
Mr. Kankanamge Sanjaya **LEELARATHNE – Deputy Chairman**
Mr. Mohammed Naushard **JUNAIDEEN – Working Director**
Mr. Raju **SIVARAMAN – Director - M.Sc (Arch) FIA (Sri Lanka)**
Mr. Selvadurai **LOGANATHAN – Director - FCMA (UK) FSCMA (Sri Lanka)**
Mr. Ajith **DISSANAYAKE – Director – (Ph.D)**
Mr. Thilanka **WEERASINGHE – Director Attorney at Law, Notary Public, Commissioner for Oaths**
Mr. Arinesarajah **SHAKTHEVALE – Director - Post Graduation Diploma Agri: Econ (UK) Bachelors Degree (Vet) Peradeniya**
Mr. Rathnathilake **LEKAMGE – Director**

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

Mr. Arinesarajah **SHAKTHEVALE** resigned w.e.f. 21.12.2010.
Mr. Rathnathilake **LEKAMGE** resigned w.e.f. 21.12.2010.
Mr. Danuka **DICKWELLA** was appointed w.e.f. 21. 12. 2010.
Mrs. Dashika **EDWARDS** was appointed w.e.f. 12 .01. 2011 – **Degree (English)**
Mr. Danuka **DICKWELLA** resigned w.e.f. 26. 04. 2011
Mr. W.G.R.H.Panditharathne was appointed w.e.f. 26.04.2011
Mrs. Dashika **EDWARDS Degree (English)** resigned w.e.f. 28. 12. 2012
Mr. Raju **SIVARAMAN – Director - M.Sc (Arch) FIA (Sri Lanka)** resigned w.e.f. 28. 12. 2012
Mr. Mohamed Cader was appointed w.e.f. 10.01.2013
Mr. M.P.D.U.K.Mapa Pathirana was appointed w.e.f. 17.12.2012 (Representative of the Treasury)
Mr. M.P.D.U.K.Mapa Pathirana resigned w.e.f. 27. 03. 2013

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 964,840,393/= adjusted for the current year's net loss Rupees 289,717,492/= after tax given in the 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 30,554,531/=. 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 year ended 31.03.2013. 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, Since there is no representative of the Treasury reference the Board of Directors of MILCO (Pvt) Ltd, the Committee functioned with three non executive directors, one of them acting as the Chairman of the committee, 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 SJMS Associates functioned as Internal Auditors in april and from may onwards by Ernst & Young Advisory Services (Pvt) Ltd. 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.

The Audit Committee normally should comprise three non-executive Directors of whom one member necessarily has to be the representative of the Treasury, who also functions as Chairman of the Committee. Since there is no representative of the Treasury in the present Board of Directors of MILCO (Private) Ltd, the Committee functioned with two Directors, the undersigned acting as the Chairman of the Committee

During the period under review regular meetings were held. The Financial Controller, the two Asst. Managers (Finance) and the Manager Internal Audit attended all the meetings by invitation. The heads of the factories and sectional heads of the Company were also invited to attend the meetings.

The Committee, at the meetings held during the year, reviewed in detail the internal audit queries and the monthly Internal Audit Reports, examined the clarifications and explanations given by the heads of the factories and the other functional heads on the matters highlighted in the Internal Audit Reports and advised the Officers concerned to ensure that the shortcomings and errors pointed out and highlighted in the Internal Audit Report are rectified and not repeated in the future. The Committee also advised the staff concerned to expedite sending replies for the Internal Audit queries.

The Committee after studying the Internal Audit Reports and discussing with the Internal Audit staff made recommendations to update the Internal Control Systems of the Company.

The Committee also reviewed and monitored the Management Report forwarded by the External Auditors and advised the Chairman, Deputy Chairman and the Working Director to examine every aspect of the Management report in detail and take appropriate action on these matters with the view to improve the state of affairs of the Company.

S. LOGANATHAN
ACTING CHAIRMAN – AUDIT COMMITTEE
MILCO (PVT) LTD.

BOARD OF DIRECTORS OF MILCO (PVT) LTD.

Left to Right

Mr. Ajith Dissanayake - Director, Mr. W.G.R.H. Panditharathne - Director,
Mr. Thilanka Weerasinghe - Director,
Mr. K. Sanjaya Leelarathne - Deputy Chairman, Mr. Sunil Wickramasinghe - Chairman,
Mr. M. Naushard Junaideen - Working Director, Mr. Selvadurai Loganathan - Director, Mr. Mohamed Cader - Director,
Mr. M.P.D.U.K. Mapa Pathirana - Director (Absent)

Report on the Financial Statements

We have audited the accompanying financial statements of Milco (Private) Limited which comprise the statement of financial position as at 31st March, 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 05 to 39.

Management's Responsibility for the Financial Statements

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

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the paragraphs (a), (b) and (c), 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.

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.

Except as discussed in the paragraphs (a), (b) and (c), 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. We therefore believe that our audit provides a reasonable basis for our qualified opinion.

Opinion

(a) Inventory

Finished goods/Raw Material and Consumables

We were not provided with satisfactory documentary evidence and reconciliation for the difference between the inventory valuation as per the valuation reports and the financial statements amounting to Rs.38, 831,877/-as at the reporting date.

Owing to the nature of the company's records we were unable to perform other audit procedures to satisfy ourselves as to the completeness and the valuation of such inventory balances as at the reporting date.

(b) Interest Bearing Loans and Borrowings / Non-Interest Bearing Loans and Borrowings

We have not received satisfactory evidence such as direct confirmations, in order to verify independently the existence and the accuracy of the balance payable to the Ministry of Agriculture & Live Stock Development amounting to Rs.83, 590,654/-.

Owing to the nature of the company's records we were unable to perform other audit procedures to satisfy ourselves as to the completeness and the existence of such payable as at the reporting date.

(c) Trade and Other Payables

We have not received satisfactory evidence such as direct confirmations, in order to verify independently the existence and the accuracy of the balance payable to the Department of Animal Production and Health amounting to Rs.20,446,164/-.

Owing to the nature of the company's records we were unable to perform other audit procedures to satisfy ourselves as to the completeness and the existence of such liability as at the reporting date.

(d) Other Expense

We noted that sale of raw milk amounting to Rs.412,346,196/- to third parties have not been accounted in accordance with the Sri Lanka Accounting Standards No.18 – Revenue.Net effect of the transactions has been accounted under other expenses as net loss amounting to Rs.48,300,669/-.

In our opinion, so far appears from our examination except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as matters referred in paragraphs (a), (b) and (c) and except for the effect on the financial statements of the matters referred to in the paragraph (d) the Company maintained proper accounting records for the year ended 31st March, 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March, 2013 and its loss and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

Without further qualifying our opinion we draw attention to Notes 14.5 and 24.1 to the financial statements.

Report on Other Legal and Regulatory Requirements

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

BDO Partners

CHARTERED ACCOUNTANTS
Colombo
30th September, 2013
SSR/vl

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST MARCH, 2013

	Notes	31st March, 2013 Rs.	31st March, 2012 Rs.
Revenue	3	6,385,233,896	5,263,152,211
Cost of Sales		(5,898,800,752)	(5,041,255,723)
Gross Profit		486,433,144	221,896,488
Other Operating Income	4	18,360,458	83,478,739
		504,793,602	305,375,227
Administrative Expenses		(517,309,520)	(500,006,174)
Distribution Expenses		(152,965,856)	(73,073,775)
Other Expenses		(57,266,103)	(23,205,858)
Loss from Operations		(222,747,877)	(290,910,580)
Finance Income	5	85,582,743	81,928,047
Finance Expenses	6	(130,303,147)	(35,805,724)
Net Loss before Taxation	7	(267,468,281)	(244,788,257)
Income Tax Expenses	8	(30,554,531)	(10,917,993)
Net Loss for the Year after Taxation		(298,022,812)	(255,706,250)
Other Comprehensive Income			
Actuarial Gains / (Loss) on Defined Benefit Plan, Net of Taxes		8,305,315	-
Total Other Comprehensive Income Net of Tax		8,305,315	-
Total Comprehensive Loss		(289,717,497)	(255,706,250)
Basic Loss Per Share	9	(9.33)	(8.00)

Figures in brackets indicate deductions

The accounting policies and notes on pages 05 to 39 form an integral part of these Financial Statements.

Colombo
30th September, 2013

ASSETS	Notes	As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.	As at 01st April, 2011 Rs.
Non-current Assets				
Property, Plant and Equipment	10	1,179,966,653	916,972,313	645,525,580
Capital Work-In-Progress	11	152,183,113	497,637,176	19,366,961
Financial Instrument - Held to Maturity	15	791,211,741	860,727,466	-
		2,123,361,507	2,275,336,955	664,892,541
Current Assets				
Livestock	12	159,800	305,900	1,431,645
Inventories	13	545,276,044	483,296,739	347,851,960
Trade and Other Receivables	14	1,155,531,463	1,100,057,617	895,480,727
Financial Instrument - Held to Maturity	15	294,500,000	175,100,000	930,623,649
Cash and Cash Equivalents	16	73,589,060	33,007,766	394,346,782
		2,069,056,367	1,791,768,022	2,569,734,763
Total Assets		4,192,417,874	4,067,104,977	3,234,627,304
EQUITY AND LIABILITIES				
Stated Capital and Reserves				
Stated Capital	17	319,454,060	319,454,060	319,454,060
Capital Reserve	18	25,000,000	25,000,000	25,000,000
Revaluation Reserve		336,454,462	336,454,462	336,454,462
Sinking Fund	19	1,689,978	1,689,978	1,689,978
Retained Earnings		745,595,721	1,035,313,218	1,304,056,623
Shareholders' Fund		1,428,194,221	1,717,911,718	1,986,655,123
Non-Current Liabilities				
Deferred Tax Liability	20	19,857,289	-	-
Non-interest Bearing Borrowings	21	85,698,717	85,698,717	85,698,717
Interest Bearing Borrowings - Long Term	21	581,685,663	642,228,098	-
Retirement Benefit Obligations - Gratuity	22	401,297,112	351,719,255	201,703,629
Deferred Income - Government Grant	23	52,297,084	15,497,684	20,757,825
		1,140,835,865	1,095,143,754	308,160,171
Current Liabilities				
Trade and Other Payables	24	977,948,081	862,317,139	823,121,208
Income Tax Payable	25	9,917,476	19,455,329	27,758,202
Interest Bearing Borrowings - Short Term	21	92,751,742	86,668,946	423,239
Bank Overdrafts	26	542,770,489	285,608,091	88,509,361
		1,623,387,788	1,254,049,505	939,812,010
Total Equity and Liabilities		4,192,417,874	4,067,104,977	3,234,627,304

Figures in brackets indicate deductions

Commitments and Contingencies **27 & 28**

The accounting policies and notes on pages 05 to 39 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. C. Madugalle
Finance Controller

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. S.C.S. Wickramasinghe	**Mr. S. Loganathan**
Chairman	**Director**

Colombo
30th September, 2013
SSR/vl

STATEMENT OF CHANGES IN EQUITY AS AT 31ST MARCH, 2013

	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Sinking Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31.03.2011	319,454,060	25,000,000	336,454,462	1,689,978	1,304,056,623	1,986,655,123
Net Loss for the Year	-	-	-	-	(255,706,250)	(255,706,250)
Recognition of Transitional liability - Gratuity	-	-	-	-	(13,037,155)	(13,037,155)
Balance as at 31.03.2012	319,454,060	25,000,000	336,454,462	1,689,978	1,035,313,218	1,717,911,718
Net Loss for the Year	-	-	-	-	(298,022,812)	(298,022,812)
Other Comprehensive Income	-	-	-	-	8,305,315	8,305,315
Balance as at 31.03.2013	319,454,060	25,000,000	336,454,462	1,689,978	745,595,721	1,428,194,221

Figures in brackets indicate deductions

The accounting policies and notes on pages 05 to 39 form an integral part of these Financial Statements.

Colombo
30th September, 2013

MILCO

	31st March, 2013 Rs.	31st March, 2012 Rs.
Cash Flow from Operating Activities		
Net (Loss)/Profit Before Taxation	(267,468,281)	(244,788,257)
Adjustments for ;		
- Depreciation on Property, Plant and Equipment	187,612,037	150,735,366
- Write back of long outstanding CWIP	737,646	-
- Income from Investment	(85,582,743)	(81,928,047)
- Interest Expense	109,168,553	29,484,038
- Lease Interest	20,075,269	-
- Recognized Income on Deferred Grants	(400,600)	(400,600)
- Write back of Refundable Deposits	(13,965,821)	-
- Loss and Fair Value Adjustment on Livestock	-	15,835
- Unrealized Exchange Gain	-	(75,077,781)
- Provision for Bad and Doubtful Debts	4,147,382	1,164,172
- Provision for Defined Benefit Plans - Gratuity	62,583,184	140,373,568
- Write Off Discarded Goods	1,580,341	-
	285,955,248	164,366,551
Operating Profit Before Working Capital Changes	18,486,967	(80,421,706)
(Increase)/Decrease in Inventories	(63,559,646)	(135,444,779)
(Increase)/Decrease in Trade and Other Receivables	(59,621,225)	(199,163,892)
Increase/(Decrease) in Trade and Other Payables	128,304,453	39,195,931
	5,123,582	(295,412,739)
Cash Generated from Operations	23,610,549	(375,834,445)
Interest Paid	(109,168,553)	(29,478,528)
Tax Paid - ESC & Income Tax	(18,942,785)	(22,712,603)
Payment of Defined Benefit Plans - Gratuity	(4,700,012)	(3,395,096)
	(132,811,350)	(55,586,227)
Net Cash Flow From/(Used In) Operating Activities	(109,200,801)	(431,420,672)
Cash Flow from Investing Activities		
Acquisition of Property, Plant and Equipment and CWIP	(46,059,294)	(35,228,612)
Investments in Property, Plant and Equipment in the Course of Construction	(59,830,668)	(761,477,220)
Proceeds from Disposal of Livestock	146,100	1,109,910
Interest Received	85,582,743	44,321,466
Withdrawal / (New) Short term & Long Term Investment (Net)	(49,884,275)	(8,558,922)
Net Cash From/(Used In) Investing Activities	(70,045,394)	(759,833,378)

Cash Flow from Financing Activities			
Government Grant Received		37,200,000	8,094,492
Lease Rental Paid		(38,550,984)	(428,749)
Proceeds from Loans and Borrowings - (Net of Repayments)		(35,983,924)	625,150,559
Net Cash From / (Used In) Financing Activities		(37,334,908)	632,816,302
Net Increase in Cash and Cash Equivalents		(216,581,103)	(558,437,747)
Cash and Cash Equivalents at the Beginning of the Year	**Note A**	(252,600,325)	305,837,421
Cash and Cash Equivalents at the End of the Year	**Note B**	(469,181,429)	(252,600,325)
At the Beginning of the Year			**Note A**
Balances at Banks		29,892,575	393,001,398
Petty Cash in Hand		3,115,191	1,345,384
		33,007,766	394,346,782
Bank Overdrafts		(285,608,091)	(88,509,361)
		(252,600,325)	305,837,421
At the End of the Year			**Note B**
Balances at Banks		70,198,394	29,892,575
Petty Cash in Hand		3,390,666	3,115,191
		73,589,060	33,007,766
Bank Overdrafts		(542,770,489)	(285,608,091)
		(469,181,429)	(252,600,325)

Figures in brackets indicate deductions

The accounting policies and notes on pages 05 to 39 form an integral part of these Financial Statements.

30th September, 2013
Colombo

1 ACCOUNTING POLICIES

1.1. Corporate Information

1.1.1 Legal and Domicile Form

Milco (Private) Limited 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 products.

1.1.3 Date of Authorization to Issue

The financial statements for the year ended 31st March, 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 30th September, 2013.

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 director's 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.

For all periods upto and including the year ended 31st March, 2012, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS) effective upto 31st March, 2012.

These financial statements for the year ended 31st March, 2013 are the first the Company has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) effective for the periods beginning on or after 01st January, 2012. (Refer Note 34 for explanation of the transition)

The company has consistently applied the accounting policies used in preparation of its opening SLFRS statement of financial position as at 01st April, 2011 through all periods presented, as if these policies had always been in effect.

An explanation of how the transition of SLFRSs has affected the reported financial position and financial performance of the company is provided in Note 28.

1.2.1.2 Basis of Measurement

The financial statements have been prepared under the historical cost convention with 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 March, 2013 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. 7 of 2007.

1.2.1.5 Going Concern

The Directors of the Milco (Private) Limited has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for a foreseeable future. Furthermore, 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 current year's presentation/classification.

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 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.

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 result 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 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 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 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 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-evaluate 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 marketplace (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.

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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 reclassify these financial assets in rare circumstances. Reclassification 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 for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified 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 reclassified 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 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 has 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 is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate 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 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 collateral has 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 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 statement of comprehensive income when the liabilities are derecognized 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 measured at amortized cost due to unavoidable reasons of the company.

1.3.9 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at 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 they 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 reassessed 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 asset 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 asset 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 were 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 is which they arise.

The retirement benefit obligation of the Company and 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 are contained in Note 22 on Page 30. 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 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 is 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 the 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.

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 is charged against income in arriving at the result for the year.

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

1.3.20 First - Time Adoption of SLAS (SLFRS / LKAS)

These financial statements, for the year ended 31st March, 2013, are the first the Company has prepared in accordance with SLFRS. For periods upto and including the year ended 31st March, 2012, the Company prepared its financial statements in accordance with previous SLAS.

Accordingly, the Company has prepared its financial statements which comply with SLFRS applicable for periods ending on or after 31st March, 2013 and prior periods, together with the comparative period's data as at and for the years ended 31st March, 2012, as described in the accounting policies.

In preparing these financial statements, the Company's opening statement of financial position was prepared as at 01st April, 2011, the Company's date of transition to SLFRS. This note explains the principal adjustments made by the Company in restating its SLAS statement of financial position as at 01st April, 2011 and its previously published SLAS financial statements as at and for the year ended 31st March, 2012.

The effect of Company's transition to SLFRS is described in Note 34.

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.

a) SLFRS 9 - Financial Instruments : Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. SLFRS 9 was issued in 2012 and become effective for the financial periods beginning on or after 01st January, 2015. Accordingly, the financial statements for the year ending 31st March, 2016 will adopt the SLFRS 9. The company will quantify the effect in due course.

b) SLFRS 10 - Consolidated Financial Statements

SLFRS 10 replaces the portion of LKAS 27 - Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 – Consolidation Special Purpose Entities. SLFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by SLFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore, are required to be consolidated by a parent, compared with the requirements that were in LKAS 27. SLFRS 10 was issued in 2012 and become effective for the financial periods beginning on or after 01st January, 2015. Accordingly, the financial statements for the year ending 31st March, 2016 will adopt the SLFRS 10. The group will quantify the effect in due course.

c) **SLFRS 11 – Joint Arrangements**

SLFRS 11 replaces LKAS 31 – Interest in Joint Ventures and SIC – 13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. SLFRS 11 removes the option to account for Jointly Controlled Entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The company does not have any joint venture arrangements presently recognized under proportionate consolidation method.

d) **SLFRS 12 - Disclosure of Interests in Other Entities**

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. The number of new disclosures is also required, but has no impact on the group's financial position or performance. SLFRS 12 was issued in 2012 and become effective for the financial periods beginning on or after 01st January, 2015. Accordingly, the financial statements for the year ending 31st March, 2016 will adopt the SLFRS 12.

e) **SLFRS 13 - Fair Value Measurement**

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. This standard is effective for annual periods beginning on or after 01st January, 2015. Accordingly, the financial statements for the year ending 31st March, 2016 will adopt the SLFRS 13. Pending the full study of this standard, the financial impact is not yet known and reasonably estimable.

3. REVENUE

	31st March, 2013 Rs.	31st March, 2012 Rs.
Gross Sales	6,515,562,857	5,370,586,783
Less: Nation Building Tax	(130,328,961)	(107,434,572)
	6,385,233,896	5,263,152,211

4. OTHER INCOME

Redundant Sales	493,313	390,665
Rent Income	21,200	-
Surcharges of Returned Cheques	528,783	560,645
Non Refundable Deposit	381,100	153,620
Non Refundable Tender Deposit	398,000	300,500
Diferred Income - Government Grants	400,600	400,600
Registration of Suppliers	1,987,000	1,924,000
Sundry Income	184,641	100,000
Exchange Gain	-	79,648,709
Refundable Deposits Write Back	13,965,821	-
	18,360,458	83,478,739

5. FINANCE INCOME

Interest on Call/Fixed Deposit - Local	51,718,612	47,363,675
Interest on Fixed Deposit - Foreign Currency (USD)	26,230,774	23,978,994
Interest on Staff Loans	7,633,357	10,585,378
	85,582,743	81,928,047

6. FINANCE COSTS

Interest on Finance Lease	20,075,269	5,510
Exchange Loss	1,059,325	-
Interest on Loans	61,860,546	29,478,528
Interest on Bank Overdrafts	47,308,007	6,321,686
	130,303,147	35,805,724

7 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/Profit Before Taxation is Stated After Charging all Expenses including the following:

Directors' Remuneration	12,361,514	9,870,934
Audit Services		
- Internal Audit Services	3,908,631	4,826,983
- External Audit Services	605,000	525,000
Depreciation on Property, Plant and Equipment	187,612,037	150,735,366
NBT Expenses	130,328,960	107,434,572
Advertising and Sales Promotions	69,143,273	44,931,211
Donations	217,000	23,750
Legal Expenses and Professional Fee	3,556,404	2,190,711
Provision for Impairment	4,147,382	1,164,172
Loss on Operations of Cattle Feed	7,024,904	16,684,254
Repairs and Maintenance Expenses	28,769,455	27,299,933
Staff Costs		
- Salaries ,Wages and Allied Expenses	679,579,143	622,631,259
- Defined Contribution Plan Costs - E.P.F and E.T.F	64,129,105	52,024,634
- Defined Benefit Plan Costs - Gratuity	49,577,857	136,978,472

8. INCOME TAX EXPENSES

		31st March, 2013 Rs.	31st March, 2012 Rs.
Current Income Tax Provision	8.1	10,697,242	10,917,993
Deferred Tax Charge for the Year	20	19,857,289	-
		30,554,531	10,917,993

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

Accounting (Loss) Before Taxation	(289,717,497)	(255,706,250)
Less: Income Considered Separately	85,582,743	(83,967,966)
Loss from Trade or Business	(204,134,754)	(339,674,216)
Less: Exempt Profit	-	-
Business (Loss)/Profit Applicable Taxation	(204,134,754)	(339,674,216)
Exempt Other Income	26,806,689	23,978,994
Liable Other Income	58,776,054	59,988,972
Accounting Profit/Loss Chargeable to Income Taxes	-	-
Tax Rate	28%	28%
Tax on Chargeable Profit or Income	16,457,295	16,796,912
	16,457,295	16,796,912
Tax Effect on Deduction Under Section 32	(5,760,053)	(5,878,919)
Tax on Adjusted Income @ 28%	10,697,242	10,917,993
Under or Over Provisions for Previous Year		
Provision for the Year	10,697,242	10,917,993

8.2. Income derived from the foreign investment (Fixed Deposit in Foreign Currency) is exempted from the income tax as per the provision of the Inland Revenue Department.

9. LOSS PER ORDINERY SHARE

Basic Loss Per Share is calculated by dividing the net loss attributable to equity holders of the company by the weighted average number of ordinary share in issue.

	2012/2013 Rs.	2011/2012 Rs.
Net Loss Attributable to Ordinary Shares	(298,022,812)	(255,706,250)
Weighted Average Number of Ordinary Share	31,945,406	31,945,406
	(9.33)	(8.00)

9.1 Diluted Loss Per Share

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

10. PROPERTY, PLANT AND EQUIPMENT

	Cost/Valuation					Depreciation					Written Down Value		
Description of Assets	Balance As At 01.04.2012 Rs.	Additions Rs.	Transfer from Leasehold Rs.	Disposals Rs.	Balance As At 31.03.2013 Rs.	Balance As At 01.04.2012 Rs.	Charge for the Year Rs.	Transfer from Leasehold Rs.	On Disposals Rs.	Balance As At 31.03.2013 Rs.	As At 31.03.2013 Rs.	As At 31.03.2012 Rs.	As At 31.03.2011 Rs.
Freehold													
Land	3,250,000	-	-		3,250,000	-	-	-	-	-	3,250,000	3,250,000	-
Building	117,971,302	21,574,341	-	-	139,545,642	31,610,430	5,685,611	-	-	37,296,042	102,249,600	86,360,872	90,776,148
Plant and Machinery	812,268,417	399,177,783	15,431,880	-	1,226,878,080	162,639,169	121,962,920	6,687,148	-	291,289,237	935,588,843	649,629,248	341,754,947
Furniture and Fittings	26,696,726	1,591,207	-	-	28,287,933	17,500,746	2,972,100	-	-	20,472,846	7,815,087	9,195,980	9,685,722
Laboratory Equipment	32,131,851	36,735	-	-	32,168,586	23,503,846	3,024,920	-	-	26,528,766	5,639,820	8,628,005	10,496,644
Motor Vehicles	113,674,722	325,000	-	-	113,999,722	56,874,054	12,466,959	-	-	69,341,013	44,658,709	56,800,668	69,385,176
Tools and Equipment	181,201,100	11,256,201	-	-	192,457,301	150,933,102	11,420,540	-	-	162,353,642	30,103,659	30,267,998	36,053,273
BottleS and Crates	219,833,472	12,367,727	-	-	232,201,199	186,838,356	17,545,044	-	-	204,383,400	27,817,799	32,995,116	46,326,412
Computer Equipment	18,110,179	1,123,002	-	-	19,233,181	9,682,263	4,026,313	-	-	13,708,576	5,524,605	8,427,916	11,602,379
Computer Software	2,587,209	-	-	-	2,587,209	2,587,209	-	-	-	2,587,209	-	-	53,530
Bottle Coolers	53,548,702	2,285,612	-	-	55,834,314	41,020,679	4,865,519	-	-	45,886,198	9,948,116	12,528,023	9,401,571
Office Equipment	4,744,813	233,007	-	-	4,977,820	3,001,358	662,566	-	-	3,663,924	1,313,896	1,743,455	1,816,563
Milk Cans	44,911,859	635,764	-	-	45,547,623	36,511,559	2,979,545	-	-	39,491,104	6,056,519	8,400,300	7,885,295
	1,630,930,352	450,606,379	15,431,880	-	2,096,968,610	722,702,771	187,612,037	6,687,148	-	917,001,957	1,179,966,653	908,227,581	635,237,660
		-											
Leasehold Assets													
Plant and Machinery	15,431,880	-	(15,431,880)	-	-	6,687,148	-	(6,687,148)	-	-	-	8,744,732	10,287,920
	15,431,880	-	(15,431,880)	-	-	6,687,148	-	(6,687,148)	-	-	-	8,744,732	10,287,920
	1,646,362,232	450,606,379	-	-	2,096,968,610	729,389,919	187,612,037	-	-	917,001,957	1,179,966,653	916,972,313	645,525,580

10.1 Revaluation

Milco (Pvt) Ltd has 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 Serveyor (Dip in Valuation CT, B.Sc Estate Management, M.S.C-Urbarn Land Apprisal). The surplus on revaluation amounting to Rs.336,454,462/= had been credited to revaluation account. Since the revaluation reserve has been accounted as at 31st March, 2009 there is an impact on depreciation charge for the year.

10.2 Company has reassesed the usufull life span of certain items of property, plant and Equipment at the date of transition to SLFRS.Accordingly such reassessment of life span have resulted in increase in carrying value of the Assets or Rs.112,777,645 and increased Rs.85,349,117/= as at 31st March, 2011 and 2012 respectively.

11. CAPITAL WORK-IN-PROGRESS

	Balance As At 01.04.2012 Rs.	Incurred During the Year Rs.	Capitalized During the Year Rs.	Charged To Income Statement Rs.	Balance As At 31.03.2013 Rs.	Balance As At 31.03.2012 Rs.	Balance As At 01.04.2011 Rs.
Construction of Ragama Hospital Outlet	32,157	-	-	(32,157)	-	32,157	44,157
Construction of Karapitiya Hospital Sales Outlet	11,985	-	(11,985)	-	-	11,985	11,985
Construction of Waste Water Treatment Plant	16,345,529	-	-		16,345,529	16,345,529	16,345,529
Rain Water Drainage System	1,085,083	-	(1,085,083)	-	-	1,085,083	1,085,083
Karaliyadda - Civil Const (Pvt) Land	25,936	-	-	-	25,936	25,936	51,871
Construction of Mini Cooling Centre - Tilicultry	1,041,251	-	(1,041,251)	-	-	1,041,251	1,041,251
Installation of Racks For Central Stores	1,640,972	-	(1,640,972)	-	-	1,640,971	787,085
Construction of Sales Outlet - Nallathanni	705,489	-	-	(705,489)	-	705,489	-
Civil-rep at Ruwanwella MCC	2,497,273	-	(2,497,273)	-	-	2,497,273	-
UHT Plant - 02 Nos (CMF & PMF) - 600 M	363,905,945	20,093,851	(383,999,796)	-	-	363,905,945	-
Canteen - Colombo Milk Factory	3,008,187	-	(3,008,187)	-	-	3,008,187	-
Reconstruction of Damaged Parapet Wall - Polonnaruwa Milk Factory	1,546,613	-	(1,546,613)	-	-	1,546,614	-
Construction of Nochchiyagama Outlet	-	5,780,705	(5,780,705)	-	-	-	-
Construction of New Milk Factory - Badalgama	-	318,530	-	-	318,530	-	-
Construction of Padiyathalawa Outlet	-	4,398,559	-	-	4,398,559	-	-
Installation of Chill water Plant - DMF	-	10,413,780	-	-	10,413,780	-	-
Installation of Chill water Plant - PMF	-	10,413,780	-	-	10,413,780	-	-
Construction of Illuppadichenai Outlet	-	4,180,864	-	-	4,180,864	-	-
Water Treatment Plant - DMF	-	-	-	-	-	-	-
Construction of Building - Digana	1,908,044	2,317,441	(3,798,993)	-	426,492	1,908,044	-
U.H.T Spareparts and Civil Construction - DMF	136,227	-	(136,227)	-	-	136,227	-
Construction of Chiling Center - SDMF	-	474,227	-	-	474,227	-	-
Leasehold Property being Installed - Polonnaruwa Milk Factory							
Yoghurt Mix Plant	103,746,485	1,438,931	-	-	105,185,416	103,746,485	-
	497,637,176	59,830,668	(404,547,085)	(737,646)	152,183,113	497,637,176	19,366,961

		As At 31st March, 2013 Rs.	As At 31st March, 2012 Rs.	As At 01st April, 2011 Rs.
12. LIVESTOCK				
Cattle Feed and Model Farm		159,800	305,900	1,431,645
		159,800	305,900	1,431,645
13. INVENTORIES				
Raw and Packing Materials	13.1	182,088,400	145,632,097	119,012,506
Work-in-Progress		896,652	1,040,502	1,445,255
Finished Goods		153,817,169	131,003,897	44,174,890
Consumables	13.2	210,092,458	203,408,433	193,204,694
Goods in Transit	13.3	9,734,150	13,564,597	1,367,402
Provision for Inventory	13.4	(11,352,785)	(11,352,787)	(11,352,787)
		545,276,044	483,296,739	347,851,960
13.1 Raw and Packing Materials				
Raw Materials - Dairy Production		44,190,176	18,604,219	14,080,669
Raw Materials - Cattle Feed		3,527,438	-	-
Packing Materials - Dairy Production		119,130,015	108,510,152	88,111,421
Raw and Packing Materials - Cattle Feed		2,091,109	618,344	429,497
Raw Milk Stock		9,106,374	11,365,895	4,420,779
Drugs and Other Stock		4,043,288	6,533,487	11,970,140
		182,088,400	145,632,097	119,012,506
13.2 Consumables				
General Stores		15,889,133	22,861,030	25,423,147
Engineering Stores		162,505,439	148,169,701	135,212,658
Motor Stores		10,398,539	11,864,707	11,072,278
Fuel and Lubricant Stores		16,896,089	16,056,498	13,469,273
Staff Welfare - Milk Powder		-	-	175,000
Milk Can Stock		4,403,258	4,456,497	7,852,338
		210,092,458	203,408,433	193,204,694
13.3 Goods In Transit				
Finished Goods in Transit		4,386,474	-	456,206
Goods in Transit Lab Equipment		125,798	125,798	125,798
Raw Milk In Transit		4,372,474	6,969,492	4,315,748
Concentrated Milk in Transit		-	3,220,925	-
Yogurt Culture		849,404	3,248,382	925,970
Furnace Oil		-	-	(4,456,320)
		9,734,150	13,564,597	1,367,402
13.4 Provision For Inventory				
Packing Material		(10,082,202)	(9,420,229)	(10,082,202)
General Stores		(213,355)	(332,731)	(213,355)
Engineering Stores		(986,334)	(1,523,657)	(986,336)
Fuel Stores		(70,894)	(76,170)	(70,894)
		(11,352,785)	(11,352,787)	(11,352,787)

13.5 Inventories pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in Note No. 31 to these financial statements.

			31st March, 2013	31st March, 2012	31st March, 2011
14	**TRADE AND OTHER RECEIVABLES**		**Rs.**	**Rs.**	**Rs.**
	Trade Debtors	**14.1**	499,064,480	299,775,664	211,078,748
	Receivable from the Government of Sri Lanka	**14.2**	389,032,305	548,992,655	429,522,058
	Other Debtors	**14.3**	8,345,078	6,875,271	7,134,521
	Advances, Deposits and Prepayments		67,228,738	69,147,147	71,550,530
	Staff Debtors	**14.4**	136,860,659	133,376,779	133,190,033
	Import Control		9,141,492	1,561,825	3,395,194
	Interest Receivable on Fixed Deposits		35,364,832	29,094,399	36,110,088
	WHT Receivables		10,493,879	10,493,879	-
	Other Receivables		-	739,998	3,499,555
			1,155,531,463	1,100,057,617	895,480,727

14.1 Trade Debtors

Total Debtors	535,156,493	331,729,866	255,682,415
Less: Provision for Impairment	(36,092,013)	(31,954,202)	(44,603,667)
	499,064,480	299,775,664	211,078,748

14.2 Receivable from the Government of Sri Lanka

Receivable from the Ministry of Livestock and Development - Expenses Reimburshment	6,477,402	6,437,752	4,010,626
Receivable from Government of Sri Lanka - Milk Payment Subsidy - Current	30,930,979	190,930,979	147,007,598
Receivable from Government of Sri Lanka - Milk Payment Subsidy - Before 2006	34,771,803	34,771,803	34,771,803
Receivable from Government of Sri Lanka - Kiriya Conversion **(14.5)**	347,961,144	347,961,144	347,961,144
Receivable from Government of Sri Lanka - Milk Industries Lanka Current Account	1,117,224	1,117,224	1,117,224
Receivable from Parliament Affaires	94,333	94,333	197,800
Receivable From Government of Sri Lanka - NLDB/Lanlib	3,000,000	3,000,000	3,000,000
Receivable from Government of Sri Lanka - Share Issue	-	-	12,954,040
	424,352,885	584,313,235	551,020,235
Less: Provision for Impairment	(35,320,580)	(35,320,580)	(121,498,177)
	389,032,305	548,992,655	429,522,058

14.3 Other Debtors

Total Receivables	8,345,078	6,875,271	7,134,521
	8,345,078	6,875,271	7,134,521

14.4 Staff Debtors

Total Receivables	136,860,659	133,376,779	133,190,033
	136,860,659	133,376,779	133,190,033

14.5 As per the agreement referred to in note no. 1.1 to these financial statements, this amount is receivable from the Government of Sri Lanka. Further, as described by a letter dated 08th August, 2000 received from the 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 03rd February, 1998 as receivable from the Government of Sri Lanka.

The company is in the process of negotiation with the Government of Sri Lanka to settle such recoverable amounts against the payables to the Government by means of taxes and other statutory payments mentioned in the note no. 24. Hence, the recoverability of such balances depends on the decision of the Government.

		As At 31st March, 2013 Rs.	As At 31st March, 2012 Rs.	As At 01st April, 2011 Rs.
15.	**FINANCIAL INSTRUMENT - HELD TO MATURITY**			
15.1	**Short Term Instrument**			
	People's Bank - Corporate Banking Unit	175,000,000	175,100,000	25,500,000
	Bank of Ceylon - Overseas Customer Unit	-	-	439,623,649
	State Mortgage & Investment Bank	-	-	150,000,000
	Bank of Ceylon - Treasury	100,000,000	-	315,500,000
	Call Deposits	19,500,000	-	-
		294,500,000	175,100,000	930,623,649
15.2	**Long Term Instrument**			
	Bank of Ceylon - Treasury	247,489,399	337,067,114	-
	Fixed Deposits - BOC - US $ 4,283,284	543,722,342	523,660,352	-
		791,211,741	860,727,466	-

Investments pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in note no. 31 to these financial statements.

16	**CASH AND CASH EQUIVALENTS**			
	Balances at Banks	70,198,394	29,892,575	393,001,398
	Petty Cash in Hand	3,390,666	3,115,191	1,345,384
		73,589,060	33,007,766	394,346,782
17	**STATED CAPITAL**			
		Nos.	**Nos.**	**Nos.**
	Stated Capital in Numbers	31,945,406	31,945,406	31,945,406
		Rs.	**Rs.**	**Rs.**
	Stated Capital in Value	319,454,060	319,454,060	319,454,060
18	**CAPITAL RESERVE**			
18.1	**Reserve on Acquisition and Upgrading of Plant and Machinery**			
	Transferred From Retained Earnings	25,000,000	25,000,000	25,000,000
		25,000,000	25,000,000	25,000,000

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.

19.	**SINKING FUND**			
	Transferred from Retained Earnings	1,689,978	1,689,978	1,689,978
		1,689,978	1,689,978	1,689,978

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 future.

		As At 31st March, 2013 Rs.	As At 31st March, 2012 Rs.	As At 01st April 2011 Rs.
20	**DEFERRED TAX**			
	At the beginning of the Year	-		
	Charge to / (from) Income Statement	19,857,289	-	-
	At the end of the Year	19,857,289	-	-
20.1	Tax effect on Temporary Difference on Property, Plant and Equipment	70,679,387	-	-
	Tax effect on Temporary Difference on Retirement Benefit Obligations	(40,129,712)	-	-
	Less:	(10,692,386)	-	-
	Probable Deferred Tax Liability	19,857,289	-	-

The differerd tax assets arising from carry forward of unsused tax losses has been recognized only to the extent of 35% of the net taxable temporary difference available against which the unsued tax losses can be utilized.

21. LOANS AND BORROWINGS

21.1 Interest Bearing Borrowings

		2013	2012	2011
Payable within One Year	(21.1.1)	92,751,742	86,668,946	423,239
Payable after One Year	(21.1.2)	581,685,663	642,228,098	-
		674,437,405	728,897,044	423,239

21.1.1. Gross Lease Creditor - Merchant Bank of Sri Lanka

	2013	2012	2011
Balance at the beginning of the Year	154,203,936	428,749	5,573,737
Add: During the Year Additions	-	154,203,936	-
Less: During the Year Payments	(38,550,984)	(428,749)	(5,144,988)
Balance at the End of the Year	115,652,952	154,203,936	428,749
Interest in Suspense			
Balance at the beginning of the Year	50,457,451	5,510	472,893
Interest In Suspense on Lease Facility Obtained During the Year	-	50,457,451	-
Less: Amount Transferred to Income Statement	(20,075,269)	(5,510)	(467,383)
Balance at the End of the Year	30,382,182	50,457,451	5,510
Net Liability	85,270,770	103,746,485	423,239
Current Maturity Portion	22,751,722	16,668,926	423,239
Long Term Maturity Portion	62,519,048	87,077,559	-
	85,270,770	103,746,485	423,239

21.1.2 Bank Loans and Borrowings - Bank of Ceylon

	2013	2012	2011
Balance at the beginning of the Year	625,150,559	-	-
Received during the Year	34,016,096	665,983,904	-
Less: During the Year Payments	(70,000,020)	(40,833,345)	-
Balance at the End of the Year	589,166,635	625,150,559	-
			-
Current Maturity Portion	70,000,020	70,000,020	-
Long Term Maturity Portion	519,166,615	555,150,539	-
	589,166,635	625,150,559	-

Assets pledged as collaterals to above loans and borrowings are disclosed in Note No. 31 to these financial statements.

		As At 31st March, 2013 Rs.	As At 31st March, 2012 Rs.	As At 01st April, 2011 Rs.
21. LOANS AND BORROWINGS (Contd...)				
21.2 Non-Interest Bearing Borrowings				
Long Term Portion				
National Milk Board		2,108,063	2,108,063	2,108,063
Ministry of Agriculture and Livestock Development		83,590,654	83,590,654	83,590,654
		85,698,717	85,698,717	85,698,717
22. RETIREMENT BENEFIT OBLIGATION - GRATUITY				
Balance at the Beginning of the Year		351,719,255	201,703,629	125,097,698
Current Service Cost		23,894,066	19,759,918	13,718,742
Interest Cost		38,689,118	26,221,472	12,509,769
(Gain)/Loss from Changes in Assumption		(8,305,315)	94,392,177	59,228,640
Payment Made During the Year		(4,700,012)	(3,395,096)	(8,851,220)
Recognition of Transition Liability		-	13,037,155	-
Balance at the End of the Year		401,297,112	351,719,255	201,703,629
23 GOVERNMENT GRANT				
23.1 Balance at the Beginning of the Year		15,497,684	20,757,825	22,567,086
Grant Received During the Year		37,200,000	8,094,492	7,860,285
Grant Recognized to the Income Statement During the Year		(400,600)	(400,600)	(9,669,546)
Grant Recognized Against Recievables		-	(12,954,033)	-
Balance at the End of the Year	23.2.	52,297,084	15,497,684	20,757,825
23.2 Deferred Government Grant				
Grant to Polonnaruwa Factory		-	-	12,954,034
Grant of Samanthurai		1,747,200	1,892,800	2,038,400
Grant of Thirukkovil		1,931,000	1,931,000	1,931,000
Grant of Thimilathive		2,160,000	2,340,000	2,520,000
Grant of Milk Cans		114,392	114,392	114,391
Grant of Assets		8,094,492	8,094,492	-
Grant of 14 Sales Outlet		1,050,000	1,125,000	1,200,000
Grant of MLRCD		37,200,000	-	-
		52,297,084	15,497,684	20,757,825
24. TRADE AND OTHER PAYABLES				
Trade Creditors		137,088,290	202,147,590	88,504,986
Expense Creditors		204,880,968	37,546,358	105,859,187
Other Payables	24.1	635,978,823	622,623,191	628,757,035
		977,948,081	862,317,139	823,121,208

24.1 Other payables include long outstanding balances of Rs.512,468,267/= which includes Rs.505,521,564/= which 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. The said amount includes the statutory liabilities payable to Inland Reveue Department and other Government institutions.

Company is in the process of negotiation with the Government of Sri Lanka to settle such recoverable amounts agianst the amount mentioned in the note no. 14.5.

			As at 31st March, 2013 Rs.	As at 31st March, 2012 Rs.	As at 01st April, 2011 Rs.
25.	**INCOME TAXATION**				
	Income Tax Payables / (Receivables)	25.1	29,629,285	29,629,285	41,956,811
	WHT Receivables		(11,334,279)	(7,439,298)	(3,704,730)
	ESC Receivables		(8,377,530)	(2,734,658)	(10,493,879)
			9,917,476	19,455,329	27,758,202
25.1	**Income Tax Payables /Receivables**				
	Balance at the Beginning of the Year		29,629,285	38,689,237	53,313,361
	Add: Provision for the Year	- Income Tax	10,697,242	10,917,993	27,471,930
		- SRL	-	-	412,078
			40,326,527	49,607,230	81,197,369
	Less: Payments made during the Year		-	(9,059,952)	(27,225,241)
	Tax credits set off against Liabilities				
	- ESC		(10,697,242)	(10,917,993)	(12,015,317)
	- WHT		-	-	-
	Gross Income Tax Payable		29,629,285	29,629,285	41,956,811
26.	**BANK OVERDRAFTS**				
	Bank of Ceylon - 1758		354,552,803	165,522,883	-
	Bank of Ceylon - 1766		11,616,180	10,364,814	3,197,414
	People's Bank - 41180210331		160,336,870	91,843,136	66,795,478
	People's Bank - 41120210937		14,910,062	15,152,658	9,017,530
	Bank of Ceylon - 74000111100000		-	1,235,552	6,302,476
	Bank of Ceylon - 1279942		1,268,198	-	3,196,463
	Bank of Ceylon - 20655230		-	1,368,465	-
	People's Bank - 134-1-001-2083302		-	31,217	-
	Fund Transfers		86,376	89,366	
			542,770,489	285,608,091	88,509,361

27. 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.

28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

28.1 Contingent Liabilities

There are no contingent liabilities as at the reporting date.

28.2 Contingent Assets

There are no contingent assets as at the reporting date.

29. RELATED PARTY DISCLOSURE

29.1 Substantial Shareholding and Ultimate Ownership

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

29.2 Key Management Personnel Information

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

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

	2012/2013 Rs.	2011/2012 Rs.
Short Term Employee Benefits	12,361,514	9,870,934

29.3 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 required to be disclosed as per Sri Lanka Accounting Standards.

30. COMPARATIVE INFORMATION

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

31. ASSETS PLEDGED AS COLLATERALS

Following assets have been pledged as security for liabilities

Nature of Liabilities The Name of Bank	Loan / Facility Granted Rs.	Balance Outstanding as at 31.03.2013 Rs.	Balance Outstanding as at 31.03.2012 Rs.	Repayment	Security Pledged
Loan Granted by Bank of Ceylon	700,000,000	589,166,635	625,150,559	Repayable in 120 equal monthly installments of	i) Fixed Deposits Amounting to Rs.315,500,000 of Bank of Ceylon. ii) Fixed Deposits Amounting US$ 4,095,896.38 of Bank of Ceylon.
Bank Overdraft facility provided by Bank of Ceylon	384,000,000	354,552,803	165,522,883	On Demand	i) Stock in trade movables and effect of the obligation including stocks of packing materials and finished goods and other moveables 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	45,000,000 20,000,000 40,000,000	160,336,870	91,843,136	On Demand On Demand On Demand	i) Fixed Deposits Amounting to Rs.50,000,000 of People's Bank. ii) Fixed Deposits Amounting to Rs.25,000,000 of People's Bank. iii) Fixed Deposits Amounting to Rs.50,000,000 of People's Bank.

32. 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.

33. COMPARATIVE FIGURES

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

34. FIRST TIME ADOPTION OF SLFRSs

These financial statements, for the year ended 31st March, 2013 are the first the Company has prepared in accordance with SLFRSs. For periods upto and including the year ended 31st March, 2012, the Company prepared its financial statements in accordance with local generally accepted accounting practice (Previous SLAS).

Accordingly, the Company has prepared the financial statements which comply with SLFRSs applicable for periods ending on or after 31st March, 2013, together with the comparative period data as at and for the year ended 31st March, 2012, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 01st April, 2011, the Company's date of transition to SLFRS. The notes from 34 to 34.5 explains the principal adjustments made by the Company in restating its Local GAAP statement of financial position as at 01st April, 2011 and its previously published Local GAAP financial statements as at and for the year ended 31st March, 2012.

34. FIRST TIME ADOPTION OF SLFRSs (Contd..)

34.1. Reconciliation of Statement of Comprehensive Income for the Year Ended 31st March, 2012

	Note	2011/2012 (SLAS)	IFRS Adjustments	2011/2012 (SLFRS)
Revenue		5,263,152,211	-	5,263,152,211
Less : Cost of Sale	(a)	(5,013,827,195)	(27,428,528)	(5,041,255,723)
Gross Profit		**249,325,016**	**(27,428,528)**	**221,896,488**
Other Operating Income		83,478,739	-	83,478,739
		332,803,755	**(27,428,528)**	**305,375,227**
Administrative Expenses		(500,006,174)	-	(500,006,174)
Distribution Expenses		(73,073,775)	-	(73,073,775)
Other Expenses		(23,205,858)	-	(23,205,858)
Profit Loss from Operations		**(263,482,052)**	**(27,428,528)**	**(290,910,580)**
Finance Income	(b)	83,767,183	(1,839,136)	81,928,047
Finance Expenses		(35,805,724)	-	(35,805,724)
Net Profit / (Loss) Before Taxation		**(215,520,593)**	**(29,267,664)**	**(244,788,257)**
Income Tax Expense		(10,917,993)	-	(10,917,993)
Net Loss for the Year After Taxation		**(226,438,586)**	**(29,267,664)**	**(255,706,250)**
Other Comprehensive Income				
Actuarial Gains/(Loss) on defined Benefit Plan, Net of Taxes		-	-	-
Total Other Comprehensive Income Net of Tax		-	-	-
Total Comprehensive Loss		**(226,438,586)**	**(29,267,664)**	**(255,706,250)**

34. FIRST TIME ADOPTION OF SLFRSs (Contd..)

34.2. Reconciliation Of Financial Position As At 01st April, 2011 (Date of Transition To SLFRS)

	Note	2010/2011 (SLAS)	IFRS Adjustments	As At 01st April, 2011 (SLFRS)
ASSETS				
Non-current Assets				
Property, Plant and Equipment	(a)	532,747,935	112,777,645	645,525,580
Capital Work-In-Progress		19,366,961	-	19,366,961
		552,114,896	112,777,645	664,892,541
Current Assets				
Livestock		1,431,645	-	1,431,645
Inventories		347,851,960	-	347,851,960
Trade and Other Receivables		895,480,727	-	895,480,727
Financial Instrument - Held to Maturity		930,623,649	-	930,623,649
Cash and Cash Equivalents		394,346,782	-	394,346,782
		2,569,734,763	-	2,569,734,763
Total Assets		**3,121,849,659**	**112,777,645**	**3,234,627,304**
EQUITY AND LIABILITIES				
Stated Capital and Reserves				
Stated Capital		319,454,060	-	319,454,060
Capital Reserve		25,000,000	-	25,000,000
Revaluation Reserve		336,454,462	-	336,454,462
Sinking Fund		1,689,978	-	1,689,978
Retained Earnings	(c)	1,191,278,978	112,777,645	1,304,056,623
Shareholders' Fund		1,873,877,478	112,777,645	1,986,655,123
Non-Current Liabilities				
Non-interest Bearing Borrowings		85,698,717	-	85,698,717
Retirement Benefit Obligations - Gratuity		201,703,629	-	201,703,629
Deferred Income - Government Grant		20,757,825	-	20,757,825
		308,160,171	-	308,160,171
Current Liabilities				
Trade and Other Payables		823,121,208	-	823,121,208
Income Tax Payable		27,758,202	-	27,758,202
Short Term Borrowings		423,239	-	423,239
Bank Overdrafts		88,509,361	-	88,509,361
		939,812,010	-	939,812,010
Total Equity and Liabilities		**3,121,849,659**	**112,777,645**	**3,234,627,304**

34. FIRST TIME ADOPTION OF SLFRSs (Contd..)

34.3. Reconciliation of Financial Position As At 31st March, 2012

	Note	2011/2012 (SLAS)	IFRS Adjustments	31st March, 2012 (SLFRS)
ASSETS				
Non-current Assets				
Property, Plant and Equipment	(a)	831,623,196	85,349,117	916,972,313
Capital Work-In-Progress		497,637,176	-	497,637,176
Financial Instrument - Held to Maturity	(b)	839,160,352	21,567,114	860,727,466
		2,168,420,724	106,916,231	2,275,336,955
Current Assets				
Livestock		305,900	-	305,900
Inventories		483,296,739	-	483,296,739
Trade and Other Receivables	(b)	1,123,463,867	(23,406,250)	1,100,057,617
Financial Instrument - Held to Maturity		175,100,000	-	175,100,000
Cash and Cash Equivalents		33,007,766	-	33,007,766
		1,815,174,272	(23,406,250)	1,791,768,022
Total Assets		**3,983,594,996**	**83,509,981**	**4,067,104,977**
EQUITY AND LIABILITIES				
Stated Capital and Reserves				
Stated Capital		319,454,060	-	319,454,060
Capital Reserve		25,000,000	-	25,000,000
Revaluation Reserve		336,454,462	-	336,454,462
Sinking Fund		1,689,978	-	1,689,978
Retained Earnings	(c)	964,840,392	70,472,826	1,035,313,218
Shareholders' Fund		1,647,438,892	70,472,826	1,717,911,718
Non-Current Liabilities				
Non-interest Bearing Borrowings		85,698,717	-	85,698,717
Interest Bearing Borrowings		642,228,098	-	642,228,098
Retirement Benefit Obligations - Gratuity	(d)	338,682,100	13,037,155	351,719,255
Deferred Income - Government Grant		15,497,684	-	15,497,684
		1,082,106,599	13,037,155	1,095,143,754
Current Liabilities				
Trade and Other Payables		862,317,139	-	862,317,139
Income Tax Payable		19,455,329	-	19,455,329
Short Term Borrowings		86,668,946	-	86,668,946
Bank Overdrafts		285,608,091	-	285,608,091
		1,254,049,505	-	1,254,049,505
Total Equity and Liabilities		**3,983,594,996**	**83,509,981**	**4,067,104,977**

34. FIRST TIME ADOPTION OF SLFRSs (Contd..)

34.4. Notes to the Reconciliations

34.4 (a) Property, Plant and Equipment

During the year the company has identified components with different useful lives and also at the transition date company has carried out a comprehensive reassessment of useful lives of the fully depreciated assets which are still in use. Accordingly,

Description	01.04.2011 (Rs)	31.03.2012 (Rs)
Impact on From Component Accounting (refer i)	(188,508)	(584,827)
Impact of Re-instatement of Fully Depreciated Assets (refer ii)	112,966,153	85,933,944
Total	112,777,645	85,349,117

i) Reassessments of useful economic lives and component accounting have resulted in decrease in carrying value of the assets by Rs. 188,508/- and Rs. 584,827/-as of 31st March, 2012. and

ii) The re-instatement of the useful lives of the fully depreciated assets has resulted in increase in carrying value of the assets by Rs. 112,966,153/- and Rs. 85,933,944/- as at 01st April, 2011 and 31st March, 2012

iii) The cumulative depreciation of these items of property, plant and equipment have been restated through retained earnings and written down values of property, plant and equipment are shown under note No.36.4.(i)

iv) The respective adjustments in the depreciation charges for the comparative year have been adjusted under cost of sales by Rs.27,428,528/=.

34.4 (b) Financial Instrument - Held to Maturity

The company has calculate the fair value of the fixed deposits which are lasting more than one year using effective interest rate. The interest income has been adjusted through other income.

Description	01.04.2011 (Rs)	31.03.2012 (Rs)
Transfer of Interest Receivables	-	23,406,250
EIR Adjustment on Fixed Deposits	-	(1,839,136)
	-	21,567,114

34.4 (c) Revenue Reserves

The net impact of SLFRS re-measurements.

Description	01.04.2011 (Rs)	31.03.2012 (Rs)
Impairment of Receivable		
Impact on From Component Accounting	(188,508)	(584,827)
Impact of Re-instatement of Fully Depreciated Assets	112,966,153	85,933,944
EIR Adjustment on Fixed Deposits	-	(1,839,136)
Recognition of Transition Liability - Gratuity	-	(13,037,155)
Total	112,777,645	70,472,826

34.4 (d) Retirement Benefit Obligation - Gratuity

Retirement benefit obligation of the company has been valued in accordance with LKAS - 19 Employee Benefits. The impact from the respective adjustment is present in note 22.

34. FIRST TIME ADOPTION OF SLFRSs (Contd..)

34.5.(j) Reconciliation of Written Down Values of Property, Plant and Equipments on IFRS Convergence

	Reconciliation As at 01.04.2011						Reconciliation As at 31.03.2012					
	COST/ VALUATION	DEPRECIATION			WDV	WDV	COST/ VALUATION	DEPRECIATION			WDV	WDV
Description of Assets	Balance As At 01.04.2011 Rs.	Balance As At 01.04.2011 Previous GAAP Rs.	IFRS Adjustment As At 01.04.2011 Rs.	Balance As At 01.04.2011 SLFRS Rs.	Balance As At 01.04.2011 Previous GAAP Rs.	Balance As At 01.04.2011 SLFRS Rs.	Balance As At 31.03.2012 Rs.	Balance As At 31.03.2012 Previous GAAP Rs.	IFRS Adjustment As At 31.03.2012 Rs.	Balance As At 31.03.2012 SLFRS Rs.	Balance As At 31.03.2012 Previous GAAP Rs.	Balance As At 31.03.2012 SLFRS Rs.
Freehold												
Land	-	-	-	-	-	-	3,250,000	-	-	-	3,250,000	3,250,000
Building	116,568,923	25,792,775	-	25,792,775	90,776,148	90,776,148	117,971,302	31,610,430	-	31,610,430	86,360,872	86,360,872
Plant and Machinery	421,619,739	123,746,681	(43,881,889)	79,864,792	297,873,058	341,754,947	812,268,417	191,434,606	(28,795,437)	162,639,169	620,833,811	649,629,248
Furniture and Fittings	24,502,751	14,817,029	-	14,817,029	9,685,722	9,685,722	26,696,726	17,500,746	-	17,500,746	9,195,980	9,195,980
Laboratory Equipment	31,053,411	20,556,767	-	20,556,767	10,496,644	10,496,644	32,131,851	23,503,846	-	23,503,846	8,628,005	8,628,005
Motor Vehicles	113,674,722	113,185,302	(68,895,756)	44,289,546	489,420	69,385,176	113,674,722	113,427,734	(56,553,680)	56,874,054	246,988	56,800,668
Tools and Equipment	175,945,680	139,892,407	-	139,892,407	36,053,273	36,053,273	181,201,100	150,933,102	-	150,933,102	30,267,998	30,267,998
Bottles and Crates	213,454,027	167,127,615	-	167,127,615	46,326,412	46,326,412	219,833,472	186,838,356	-	186,838,356	32,995,116	32,995,116
Computer Equipment	17,423,567	5,821,188	-	5,821,188	11,602,379	11,602,379	18,110,179	9,682,263	-	9,682,263	8,427,916	8,427,916
Computer Software	2,587,209	2,533,679	-	2,533,679	53,530	53,530	2,587,209	2,587,209	-	2,587,209	-	-
Bottle Coolers	46,382,178	36,980,607	-	36,980,607	9,401,571	9,401,571	53,548,702	41,020,679	-	41,020,679	12,528,023	12,528,023
Office Equipment	4,233,577	2,417,014	-	2,417,014	1,816,563	1,816,563	4,744,813	3,001,358	-	3,001,358	1,743,455	1,743,455
Milk Cans	41,302,468	33,417,173	-	33,417,173	7,885,295	7,885,295	44,911,859	36,511,559	-	36,511,559	8,400,300	8,400,300
Leasehold Assets												
Plant and Machinery	15,431,880.00	5,143,960	-	5,143,960	10,287,920	10,287,920	15,431,880	6,687,148	-	6,687,148	8,744,732	8,744,732
	1,224,180,132	691,432,197	(112,777,645)	578,654,552	532,747,935	645,525,580	1,646,362,232	814,739,036	(85,349,117)	729,389,919	831,623,196	916,972,313

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1. 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	1,085,711,741	1,085,711,741
Trade and Other Receivables	1,143,812,662	1,143,812,662
Cash and Cash Equivalents	73,589,060	73,589,060
Total Financial Assets	2,303,113,463	2,303,113,463
Financial Liabilities		
Trade and Other Payables	977,948,081	977,948,081
Interest Bearing Loans and Borrowings	589,166,635	589,166,635
Bank Overdraft	542,770,489	542,770,489
Total Financial Liabilities	2,109,885,205	2,109,885,205

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 already recorded at fair value in the Financial Statements.

Assets for which fair Value Approximates 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.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

36.1. Introduction

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

Risk Management Framework

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

Principal Financial Instruments

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

Instrument	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

36.2. 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 meet a contractual obligation.

36.2.1 Credit Quality by Class of Financial Assets

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk. The amount presented are gross of impairment allowances.

Company ASSETS	Neither Past Due Not Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Financial Investment - Held to Maturity	1,085,711,741	-	-	1,085,711,741
Trade and Other Receivables	535,497,775	536,174,803	72,140,084	1,143,812,662
Cash and Cash Equivalents	73,589,060	-	-	73,589,060
	1,694,798,576	536,174,803	72,140,084	2,303,113,463

Past Due But Not Impaired

Past due but not impaired financial assets are those with contractual payments are past due but the Company believes that impairment is not appropriate on the basis of the stage of collection amounts owed, level of security / collateral available and significance of the financial assets.

Individually Impaired

All individual significant financial assets which the Company determines that there are objective evidence of impairment loss and therefore, may not be able or unable to collect all principal and interest due according to the contractual terms are classified as impaired financial assets.

36.3 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

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

36.3 Liquidity Risk and Funding Management (Contd...)

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.

36.3.1 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 Assets						
Financial Instrument - Held to Maturity	-	190,663,726	895,048,015	-	-	1,085,711,741
Trade and Other Receivables	-	365,400,604	243,424,525	139,226,961	395,760,572	1,143,812,662
Cash and Cash Equivalents	73,589,060	-	-	-	-	73,589,060
Total Financial Assets	73,589,060	556,064,330	1,138,472,540	139,226,961	395,760,572	2,303,113,463
Financial Liabilities						
Trade and Other Payables	-	83,653,763	92,325,445	264,279,243	537,689,630	977,948,081
Interest Bearing Loans & Borrowings	-	11,666,670	58,333,350	350,000,100	169,166,515	589,166,635
Bank Overdraft	542,770,489	-	-	-	-	542,770,489
Total Financial Liabilities	542,770,489	95,320,433	150,658,795	614,279,343	706,856,145	2,109,885,205
Total Net Financial Assets / (Liabilities)	(469,181,429)	460,743,897	987,813,745	(475,052,382)	(311,095,573)	193,228,258

36.4. 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.

OPERATION RESULTS

		2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Turnover (Net)	Rs. 000'	6,385,234	5,263,152	4,548,974	4,093,052	4,242,074
Gross Profit	Rs. 000'	486,433	221,896	536,949	697,490	731,398
Profit before tax	Rs. 000'	(267,468)	(244,788)	110,664	338,725	351,737
Income tax Expenses	Rs. 000'	(30,555)	(10,918)	(27,472)	(37,975)	(19,581)
Profit After Tax	Rs. 000'	(298,023)	(255,706)	83,192	300,750	332,156

BALANCE SHEET

		2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Stated Capital	Rs. 000'	319,454	319,454	319,454	319,454	306,500
Retained earnings	Rs. 000'	745,596	1,035,313	1,191,279	1,108,087	836,699
Sinking Fund	Rs. 000'	1,690	1,690	1,690	(11,264)	1,690
Reserve for upgrading / replacement of Plant & Machinery	Rs. 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
Shareholders fund	Rs. 000'	1,428,195	1,717,912	1,873,878	1,777,732	1,506,344
Property Plant & Equipment	Rs. 000'	2,123,362	2,275,337	664,893	572,074	607,598
Net Current Assets/(Liabilities)	Rs. 000'	445,668	537,718	1,629,923	1,452,398	1,114,635
Long term/(Deferred Liabilities)	Rs. 000'	(1,140,836)	(1,095,144)	(308,160)	(233,787)	(216,297)

RATIOS

		2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Earning per share	Rs.	(9.33)	(8.00)	2.60	9.41	10.84
Total Assets to share holders fund/ times		2.94	2.37	1.63	1.66	1.75
Net Assets per share	Rs.	44.71	53.78	62.19	56.06	49.15
Return on share holders equity	%	(20.29)	(14.88)	4.19	16.80	22.05
Gross Profit Ratio	%	7.62	4.22	11.80	17.04	17.24
Net Profit Ratio	%	(4.67)	(4.86)	1.83	7.35	7.83
Current Assets Ratio/ Times		1.27	1.43	2.73	2.54	2.22
Quick Assets Ratio (Times)		0.94	1.04	2.36	1.98	1.84