

MILCO (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2021

		As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
ASSETS	Note		
Non-Current Assets			
Property, Plant and Equipment	3	5,352,137,028	5,678,363,751
Capital Work-In-Progress	4	12,571,475,461	12,536,392,498
Financial Instrument - Amortised cost	5	897,013,432	811,519,828
Long-term Advances	6	139,152,682	139,152,682
Total Non-Current Assets		<u>18,959,778,603</u>	<u>19,165,428,760</u>
Current Assets			
Inventories	7	1,283,214,063	1,132,938,074
Trade and Other Receivables	8	981,537,042	1,075,106,153
Income Tax Receivable	9	212,514,712	212,514,712
Cash and Cash Equivalents	10	52,187,649	17,228,129
Total Current Assets		<u>2,529,453,466</u>	<u>2,437,787,068</u>
Total Assets		<u><u>21,489,232,070</u></u>	<u><u>21,603,215,827</u></u>
EQUITY AND LIABILITIES			
Stated Capital and Reserves			
Stated Capital	11	319,454,060	319,454,060
Capital Reserve	12	25,000,000	25,000,000
Revaluation Reserve		336,454,463	336,454,463
Sinking Fund	13	1,689,978	1,689,978
Retained Earnings		504,852,857	62,562,750
Shareholders' Fund		<u>1,187,451,358</u>	<u>745,161,250</u>
Non-Current Liabilities			
Deferred Tax Liability	14	-	-
Non-interest Bearing Borrowings	15	2,108,063	2,108,063
Interest Bearing Borrowings - Long-Term	15	18,417,323,965	18,449,096,221
Retirement Benefit Obligations - Gratuity	16	587,470,656	841,552,796
Deferred Income - Government Grant	17	113,902,491	20,081,884
Total Non-Current Liabilities		<u>19,120,805,174</u>	<u>19,312,838,963</u>
Current Liabilities			
Trade and Other Payables	18	921,468,010	775,475,909
Interest Bearing Borrowings - Short Term	15	31,762,332	96,110,896
Bank Overdrafts	19	227,745,196	673,628,809
Total Current Liabilities		<u>1,180,975,538</u>	<u>1,545,215,614</u>
Total Equity and Liabilities		<u><u>21,489,232,070</u></u>	<u><u>21,603,215,827</u></u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 36 form an integral part of these Financial Statements.

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

.....
M. G. P. Premathilaka
Manager- Finance

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

Approved and Signed for and on behalf of the Board on

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Renuka Perera
Chairman

MILCO (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2021

	Note	For the Year Ended 31 st December, 2021 Rs.	For the Year Ended 31 st December, 2020 Rs.
Revenue	20	12,475,491,370	11,104,710,548
Cost of Sales		(11,275,040,253)	(9,703,560,044)
Gross Profit		1,200,451,117	1,401,150,505
Other Operating Income	21	75,152,207	33,475,777
		1,275,603,325	1,434,626,282
Administrative Expenses		(763,517,585)	(707,165,072)
Distribution Expenses		(427,066,473)	(336,890,593)
Other Expenses		(7,158,688)	(6,696,851)
Profit/ (Loss) from Operations		77,860,578	383,873,765
Finance Income	22	66,109,595	52,972,581
Finance Expenses	23	(29,167,006)	(119,739,982)
Net Loss Before Taxation		114,803,167	317,106,364
Income Tax Expenses	24	-	-
Net Loss for the Year after Taxation		114,803,167	317,106,364
Other Comprehensive Income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of Defined Benefit Plan, Net of Taxes		327,486,940	(109,295,614)
Total Other Comprehensive Income Net of Tax		327,486,940	(109,295,614)
Total Comprehensive Income		442,290,107	207,810,750
Basic Earning/(Loss) Per Share	25	13.85	6.51

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 36 form an integral part of these Financial Statements.

MILCO (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2021

	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Sinking Fund Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st December 2019	<u>319,454,060</u>	<u>25,000,000</u>	<u>336,454,463</u>	<u>1,689,978</u>	<u>(145,248,000)</u>	<u>537,350,500</u>
Net Profit for the Year	-	-	-	-	207,810,750	207,810,750
Other Comprehensive Income	-	-	-	-	-	-
Balance as at 31st December 2020	<u>319,454,060</u>	<u>25,000,000</u>	<u>336,454,463</u>	<u>1,689,978</u>	<u>62,562,750</u>	<u>745,161,250</u>
Net Profit for the Year					114,803,167	114,803,167
Other Comprehensive Income					327,486,940	327,486,940
Balance as at 31st December 2021	<u>319,454,060</u>	<u>25,000,000</u>	<u>336,454,463</u>	<u>1,689,978</u>	<u>504,852,857</u>	<u>1,187,451,357</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 36 form an integral part of these Financial Statements.

Draft Unaudited Financial Statements

MILCO (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2021

	As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
Cash Flow from Operating Activities		
Net Loss Before Taxation	114,803,167	207,810,750
Adjustments for ;		
Depreciation on Property, Plant and Equipment	531,928,510	535,201,255
Income from Investment	(59,041,321)	(52,972,581)
Interest Expense	27,581,235	115,771,068
Lease Interest	1,787,690	3,968,828
Recognized Income on Deferred Grants	(12,311,892)	(8,998,110)
Exchange Gain	(47,507,169)	(14,127,003)
Provision for Defined Benefit Plans - Gratuity	108,782,100	225,705,878
Disposal loss	(11,778)	(28,367)
Operating Profit Before Working Capital Changes	666,010,542	1,012,331,717
(Increase)/Decrease in Inventories	(150,275,990)	(39,807,244)
(Increase)/Decrease in Trade and Other Receivables	93,569,112	108,094,364
Increase/(Decrease) in Trade and Other Payables	145,992,101	13,388,626
Cash Generated from Operations	755,295,765	1,094,007,464
Interest Paid	(27,581,235)	(115,771,068)
Payment of Defined Benefit Plans - Gratuity	(35,377,300)	(35,718,123)
Net Cash From/ (Used In) Operating Activities	692,337,230	942,518,273
Cash Flow from Investing Activities		
Acquisition of Property, Plant and Equipment	(99,585,541)	(58,157,140)
Investments in Property, Plant and Equipment in the Course of Construction	(35,082,963)	(29,828,724)
Proceeds from disposal of Assets	28,032	51,352.30
Interest Received	59,041,321	52,972,581
New/ (Withdrawal) Short-Term and Long-Term Investment (Net)	(37,986,434)	(9,696,683)
Net Cash Used In Investing Activities	(113,585,587)	(44,658,614)
Cash Flow from Financing Activities		
Lease Rental Paid	(11,242,021)	(23,426,318)
Loans and Borrowings Repayments	(86,666,488)	(142,810,673)
Net Cash Used In Financing Activities	(97,908,509)	(166,236,990)
Net Increase in Cash and Cash Equivalents	480,843,134	731,622,668
Cash and Cash Equivalents at the Beginning of the Year (Note A)	(656,400,681)	(1,388,023,349)
Cash and Cash Equivalents at the End of the Year (Note B)	(175,557,547)	(656,400,681)

MILCO (PRIVATE) LIMITED
CASH FLOW STATEMENT - (Contd..)
FOR THE YEAR ENDED 31ST DECEMBER, 2019

	As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
At the Beginning of the Year		
Balances at Banks	12,456,380	7,989,149
Petty Cash in Hand	4,771,749	4,825,402
	<u>17,228,129</u>	<u>12,814,551</u>
Bank Overdrafts	(673,628,809)	(1,400,837,901)
	<u>(656,400,681)</u>	<u>(1,388,023,350)</u>
At the End of the Year		
Balances at Banks	10,895,767	12,456,380
Call deposits	40,000,000	-
Petty Cash in Hand	1,291,881	4,771,749
	<u>52,187,649</u>	<u>17,228,129</u>
Bank Overdrafts	(227,745,196)	(673,628,809)
	<u>(175,557,547)</u>	<u>(656,400,681)</u>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 36 form an integral part of these Financial Statements.

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2021

1.1. CORPORATE INFORMATION

1.1.1 Legal and Domiciled Form

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

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

The registered office of the company is located at No. 45, Nawala Road, Colombo 05 and the principal place of business is also at the same place. Major factories of the company are situated at Narahenpita, Ambewela, Digana, Polonnaruwa and construction of Badalbama factory was in progress as of 31st December 2019.

1.1.2 Principal Activities and Nature of Operations

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

1.1.3 Date of Authorization to Issue

The financial statements for the year ended 31st December, 2021 were authorized for issue in accordance with a resolution of the Board of Directors on

1.1.4 Responsibility for Financial Statements

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

1.2. Summary of Significant Accounting Policies

1.2.1 General Accounting Policies

1.2.1.1 Basis of Preparation of Financial Statements

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

1.2.1.2 Basis of Measurement

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2021

1.2.1.3 Functional and Presentation Currency

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

1.2.1.4 Statement of Compliance

The statement of financial position, statement of comprehensive income, changes in equity and cash flows, together with accounting policies and notes ("financial statements") of the company as at 31st December, 2019 are prepared in compliance with the Sri Lanka Accounting Standards (LKAS and SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka.

1.2.1.5 Going Concern

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

1.2.1.6 Comparative Information

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

1.2.1.7 Foreign Currency Transaction

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

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

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

1.2.1.8 Materiality and Aggregation

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

1.2.1.9 Critical Accounting Estimates and Judgements

a) Judgements

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2021

b) Estimates and Assumptions

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

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

1.3 Assets and Bases of their Valuation

1.3.1 Property, Plant and Equipment

a) Measurement

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

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

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

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

b) Useful Lives of Property, Plant and Equipment

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

c) Depreciation

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

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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The economic useful lives are as follows:

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

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

d) Restoration Costs

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

e) Borrowing Costs

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

f) De- Recognition

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

1.3.2 Intangible Assets

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

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

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2021

1.3.3 Leases

a) Finance Leases – Where the Company is the Lessee

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

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

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

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

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

b) Operating Leases

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

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

1.3.4 Impairment of Non-Financial Assets

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

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

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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had, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income.

1.3.5 Capital Work-in-Progress

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

1.3.6 Financial Assets

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

1.3.6.1 Initial Recognition and Measurement

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

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

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

1.3.6.2 Subsequent Measurement

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

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

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

(b) Loans and Receivables

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

(c) Held-to-Maturity Investments

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

MILCO (PRIVATE) LIMITED
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FOR THE YEAR ENDED 31ST DECEMBER, 2021

(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'.

(d) Available-for-Sale Financial Investments

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

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

1.3.6.3 De-Recognition

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

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

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

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

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

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

1.3.6.4 Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

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

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

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

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event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Available-for-Sale Financial Assets

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

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

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

1.3.7 Financial Liabilities

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

1.3.7.1 Initial Recognition and Measurement

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

1.3.7.2 Subsequent Measurement

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

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

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

(b) Other Financial Liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the a statement of

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comprehensive income when the liabilities are de-recognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

1.3.7.3 De-Recognition

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

1.3.7.4 Off-setting of Financial Instruments

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

1.3.8 Inventories

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

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

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

1.3.9 Trade and Other Receivables

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

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

1.3.10 Cash and Cash Equivalents

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

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FOR THE YEAR ENDED 31ST DECEMBER, 2021

1.3.11 Stated Capital

(a) Classification

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

(b) Dividends

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

1.3.12 Current and Deferred Income Tax

a) Current Taxes

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

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006.

b) Deferred Taxation

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

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

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

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

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

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

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1.3.13 Employee Benefits

(a) Defined Benefit Plans – Gratuity

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

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

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

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

1.3.14 Grants and Subsidies

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

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

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

1.3.15 Trade and Other Payables

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

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

1.3.16 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement are determined by considering the class of obligations as a whole. A provision is

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2021

recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1.3.17 Commitments

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

1.3.18 Related Party Transactions

Disclosure is made in respect of the transaction in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged. Relationship between parent and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties.

1.3.19 Revenue Recognition

Revenue from contracts with customers

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

(a) Goods transferred at a point of time

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

(b) Service transferred over time

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

(c) Interest Income

Interest income is recognized using the effective interest method.

(d) Dividend Income

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

(e) Other Income

Other income is recognized on accrual basis.

1.3.20 Expenditure

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

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

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AS AT 31ST DECEMBER, 2021

3. PROPERTY, PLANT AND EQUIPMENT

a) Tangible assets

Description of Assets	Cost/Valuation			Balance		Depreciation		Written Down Value		
	Balance	Additions	Disposals	Balance	Balance	Charge for the Year	On Disposals	Balance	As At	As At
	As At			As At	As At			As At	As At	As At
	01.01.2021			31.12.2021	01.01.2021			31.12.2021	01.01.2021	31.12.2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold										
Land	3,250,000	-	-	3,250,000	-	-	-	-	3,250,000	3,250,000
Buildings	520,473,372	-	-	520,473,372	214,249,986	42,816,620	-	257,066,606	306,223,386	263,406,766
Plant and Machinery	7,526,283,307	56,757,102	-	7,583,040,409	2,328,742,898	395,660,204	-	2,724,403,103	5,197,540,409	4,858,637,307
Furniture and Fittings	52,975,771	3,276,009	-	56,251,780	44,157,965	3,413,658	-	47,571,622	8,817,806	8,680,157
Laboratory Equipment	85,143,815	2,604,219	-	87,748,034	68,534,460	5,178,643	-	73,713,104	16,609,354	14,034,930
Motor Vehicles	151,142,408	-	-	151,142,408	159,593,667	5,181,309	-	164,774,977	(8,451,259)	(13,632,569)
Tools and Equipment	349,504,412	24,022,372	(20,614)	373,506,170	297,804,319	26,259,186	(8,933)	324,054,572	51,700,094	49,451,598
Bottles and Crates	367,060,224	14,249,916	-	381,310,140	340,664,284	15,859,064	-	356,523,348	26,395,940	24,786,792
Computer Equipment	55,303,068	10,721,631	-	66,024,699	44,658,892	7,202,800	-	51,861,692	10,644,175	14,163,006
Bottle Coolers	152,100,544	92,140,780	-	244,241,324	146,103,948	12,853,898	-	158,957,846	5,996,596	85,283,478
Office Equipment	10,776,014	1,533,480	(28,000)	12,281,495	8,888,627	1,199,440	(23,428)	10,064,639	1,887,387	2,216,855
Milk Cans	80,187,849	112,531	-	80,300,380	70,791,363	4,732,036	-	75,523,399	9,396,486	4,776,981
	9,354,200,784	205,418,041	(48,614)	9,559,570,210	3,724,190,410	520,356,859	(32,361)	4,244,514,909	5,630,010,374	5,315,055,302
b) Intangible Assets										
Computer Software	2,837,209	300,000	-	3,137,209	2,799,766	121,279	-	2,921,045	37,443	216,164
c) Leasehold Assets										
Motor Vehicles	73,187,966	-	-	73,187,966	24,872,032	11,450,372	-	36,322,404	48,315,935	36,865,562
Total	<u>9,430,225,959</u>	<u>205,718,041</u>	<u>(48,614)</u>	<u>9,635,895,386</u>	<u>3,751,862,208</u>	<u>531,928,510</u>	<u>(32,361)</u>	<u>4,283,758,357</u>	<u>5,678,363,751</u>	<u>5,352,137,028</u>

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NOTES TO THE FINANCIAL STATEMENTS
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	Balance As At 01.01.2021 Rs.	Incurred During the Period Rs.	Capitalized/ Charged During the Period Rs.	Balance As At 31.12.2021 Rs.
4. CAPITAL WORK-IN-PROGRESS				
Construction of New Milk Factory - Badalgama (Refer Note 15) *	11,672,291,523	-	-	11,672,291,523
Construction of Gatabe Sales Outlet	150,000	-	-	150,000
Installation of Cup & Cone Filler at Digana Milk Factory	15,445,587	-	-	15,445,587
Modernization of Factories- Polonnaruwa, Ambewela and Digana (Refer Note 15) *	790,264,562	-	-	790,264,562
Pro- Fit Management Information System Implementation	4,179,530	-	-	4,179,530
Lorry Chasis Under Development	17,714,550	339,709	-	18,054,259
Construction of Chilling Centre- Lunugala	250,480	-	-	250,480
Construction of office building at Digana Milk Factory	19,635,143	9,962,262	-	29,597,405
Construction of cold room at Digana Milk Factory	16,169,330	7,543,255	-	23,712,585
Construction of Chilling Centre- Mundalama	291,793	1,215,200	-	1,506,993
Renovation of circuit bungalow	-	2,546,752	-	2,546,752
Construction of insulated tank at Badalgama Factory	-	13,280,786	-	13,280,786
Construction of Chilling Centre- Palathoppur	-	165,000	-	165,000
Construction of Chilling Centre- Jafna	-	30,000	-	30,000
	<u>12,536,392,498</u>	<u>35,082,963</u>	<u>-</u>	<u>12,571,475,462</u>

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

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NOTES TO THE FINANCIAL STATEMENTS
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	As at 31 st December, 2021 Rs.	As at 31 st December, 2020 Rs.
5 FINANCIAL INSTRUMENT - AMORTISED COST		
5.1 Long-Term Fixed Deposits		
Fixed Deposits - BOC - US \$	692,013,432	606,519,828
Fixed Deposits - PB & PABC	205,000,000	205,000,000
	<u>897,013,432</u>	<u>811,519,828</u>

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

6 LONG TERM ADVANCES

Advance to DESMI - Relocate CMF to Badalgama

Balance at the beginning of the year	139,152,682	139,152,682
Transferred to Capital Work in Progress	-	-
Balance at the end of the year	<u>139,152,682</u>	<u>139,152,682</u>

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

7 INVENTORIES

Raw and Packing Materials	7.1	345,514,270	311,566,260
Work-in-Progress		6,476,414	8,616,684
Finished Goods		274,092,814	230,501,369
Consumables	7.2	658,864,238	585,225,407
Goods in Transit	7.3	10,362,689	9,124,716
Provision for Inventory	7.4	(12,096,362)	(12,096,362)
		<u>1,283,214,063</u>	<u>1,132,938,074</u>

7.1 Raw and Packing Materials

Raw Materials - Dairy Production	75,709,749	65,456,573
Packing Material	246,687,691	224,256,409
Raw Milk Stock	16,080,327	14,816,775
Bottle Cooler Stock	3,496,313	3,496,313
Drugs and Other Stock	3,540,190	3,540,190
	<u>345,514,270</u>	<u>311,566,260</u>

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As at **As at**
31st December, **31st December,**
2021 **2020**
Rs. **Rs.**

7.2 Consumables

General Stores	71,703,256	45,659,458
Engineering Stores	523,509,046	487,268,325
Motor Stores	13,682,272	12,304,752
Fuel and Lubricant Stores	40,940,793	30,964,002
Milk Can Stock	9,028,871	9,028,871
	<u>658,864,238</u>	<u>585,225,407</u>

7.3 Goods In Transit

Finished Goods in Transit	8,190,395.92	7,984,541.78
Goods in Transit Lab Equipment	125,798	125,798
Raw Milk In Transit	897,096	537,476
Yogurt Culture	1,149,400	476,900
	<u>10,362,689</u>	<u>9,124,716</u>

7.4 Provision For Inventory

Packing Material	(10,163,806)	(10,163,806)
General Stores	(332,731)	(332,731)
Engineering Stores	(1,523,655)	(1,523,655)
Fuel Stores	(76,170)	(76,170)
	<u>(12,096,362)</u>	<u>(12,096,362)</u>

7.5 Inventories pledged as collaterals to obtain various financial assistance from the financial institutions are disclosed in Note No. 30 to these financial statements.

8 TRADE AND OTHER RECEIVABLES

Trade Receivables	8.1	528,770,147	668,205,047
Receivable from the Government of Sri Lanka	8.2	9,373,875	9,373,875
Other Debtors		44,900,865	46,400,866
Advances, Deposits and Prepayments		193,270,227	146,537,518
Staff Debtors		173,349,268	164,864,339
Import Control		3,704,361	19,839,349
Interest receivables on fixed deposits		28,168,299	19,885,159
		<u>981,537,042</u>	<u>1,075,106,153</u>

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NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

	As at	As at
	31st December,	31st December,
	2021	2020
	Rs.	Rs.
8.1 Trade Receivables		
Total Debtors	579,683,771	719,118,672
Less: Provision for Impairment	(50,913,625)	(50,913,625)
	<u>528,770,147</u>	<u>668,205,047</u>
8.2 Receivable from the Government of Sri Lanka		
Receivable from the Ministry of Livestock and Development	9,279,542	9,279,542
Receivable from Government of Sri Lanka - Milk Subsidiary	278,981,206	278,981,206
Receivable from Parliament Affairs	94,333	94,333
	<u>288,355,081</u>	<u>288,355,081</u>
Less: Provision for Impairment	(278,981,206)	(278,981,206)
	<u>9,373,875</u>	<u>9,373,875</u>
9 INCOME TAX RECEIVABLE		
WHT Receivables	9,038,230	9,038,230
ESC Receivables	203,476,482	203,476,482
	<u>212,514,712</u>	<u>212,514,712</u>
10 CASH AND CASH EQUIVALENTS		
Balances at Banks	10,895,767	12,456,380
Investments in call deposits	40,000,000	-
Petty Cash in Hand	1,291,881	4,771,749
	<u>52,187,649</u>	<u>17,228,129</u>
11 STATED CAPITAL		
Issued and fully paid	No of Shares 31,945,406	319,454,060
		<u>319,454,060</u>
12 CAPITAL RESERVE		
12.1 Acquisition and Upgrading of Plant and Machinery	<u>25,000,000</u>	<u>25,000,000</u>

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

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AS AT 31ST DECEMBER, 2021

	As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
13 SINKING FUND		
Transferred from Retained Earnings	1,689,978	1,689,978
	<u>1,689,978</u>	<u>1,689,978</u>

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

14 DEFERRED TAX LIABILITY

At the Beginning of the Year	-	-
Charge (to)/from Statement of Comprehensive Income	-	-
At the End of the Year	<u>-</u>	<u>-</u>
14.1 Tax effect on Temporary Difference on Property Plant and Equipme	-	-
Tax effect on Temporary Difference on Retirement Benefit Obligatio	-	-
Less: Tax effect on Temporary Differences on Tax Losses	-	-
Probable Deferred Tax Liability	<u>-</u>	<u>-</u>

Deferred tax assets amounting to LKR 256,269,701 have not been recognised in the financial statements as there are no sufficient taxable temporary differences or convincing evidence that sufficient taxable profits will be available against which the unrecognised deferred tax assets can be utilised by the Company.

15 LOANS AND BORROWINGS

15.1 Interest Bearing Borrowings

Payable within One Year	15.1.1 to 15.1.4	31,762,332	96,110,896
Payable after One Year	15.1.1 to 15.1.4	18,417,323,965	18,449,096,221
		<u>18,449,086,297</u>	<u>18,545,207,117</u>

15.1.1 Gross Lease Creditor

Balance at the Beginning of the Year	21,946,682	45,373,000
During the Year Additions	-	-
During the Year Payments	(11,242,022)	(23,426,318)
Balance at the end of the Year	<u>10,704,661</u>	<u>21,946,682</u>

Interest in Suspense

Balance at the Beginning of the Year	2,902,948	6,871,776
On Lease Facility Obtained During the Year	-	-
Amount Transferred to Statement of Comprehensive Income	(1,787,690)	(3,968,828)
Balance at the End of the Year	<u>1,115,258</u>	<u>2,902,948</u>
Net Liability	<u>9,589,402</u>	<u>19,043,734</u>

Current Maturity Portion	6,762,312	9,444,408
Long-Term Maturity Portion	2,827,090	9,599,326
	<u>9,589,402</u>	<u>19,043,734</u>

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

	As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
15.1.2 Bank Loans and Borrowings		
Balance at the Beginning of the Year	111,666,508	238,749,870
Received During the Year	-	-
Less: During the Year Payments	(86,666,488)	(127,083,362)
Balance at the End of the Year	<u>25,000,020</u>	<u>111,666,508</u>
Current Maturity Portion	25,000,020	86,666,488
Long-Term Maturity Portion	-	25,000,020
	<u>25,000,020</u>	<u>111,666,508</u>

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

15.1.3 Borrowings From Treasury of The Government of Sri Lanka

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

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

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

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

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

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

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

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

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

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

	As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
15.2 Non-Interest Bearing Borrowings		
Long-Term Portion		
National Milk Board	2,108,063	2,108,063
	2,108,063	2,108,063

16 RETIREMENT BENEFIT OBLIGATION - GRATUITY

Balance at the Beginning of the Year	841,552,796	651,565,041
Current Service Cost	46,591,348	49,755,160
Interest Cost	62,190,752	66,655,104
(Gain)/ Loss from Changes in Assumption	(327,486,940)	109,295,614
Payment Made During the Year	(35,377,300)	(35,718,123)
Balance at the End of the Year	587,470,656	841,552,796

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

The Principal Assumptions Used were as Follows:

Expected Salary Increment	10% p.a
Discount Rate	12.00% p.a
Staff Turnover Factor	10% p.a
Maximum Retirement Age	60 Years

Sensitivity of Assumptions Employed in Actuarial Valuation

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

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

Increase/ (Decrease) in Discount Rate	Increase/ (Decrease) in Salary Increment Rate	Effect on Change to Statement of	Effect on Employee Benefit Obligation
		Rs.	Rs.
1%	*	35,023,363	552,447,293
-1%	*	(39,109,616)	626,580,272
**	1%	(36,475,921)	623,946,577
**	-1%	33,256,942	554,213,714

* Salary Increment Rate 10% for the Company

** Discount Rate 12.00%

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

	As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
17 GOVERNMENT GRANT		
17.1 Balance at the Beginning of the Year	20,081,884	29,079,994
Grant Received During the Year	106,132,499	-
Grant Recognized to the Statement of Comprehensive Income During the Year	(12,311,892)	(8,998,110)
Balance at the End of the Year	<u>113,902,491</u>	<u>20,081,884</u>
17.2 Deferred Government Grant		
Grant of Samanthurai	473,200	618,801
Grant of Thimilathive	585,000	765,000
Grant of Milk Cans	114,392	114,392
Grant of 14 Sales Outlets	393,750	468,750
Grant of LCRD	16,000,582	16,000,582
Grant of Cooling tanks	-	727,792
Grant of Electric Grass Cutters	52,776	52,776
Grants of Coolers	190,542	1,333,793
Grants of Bottle Coolers under	82,237,500	-
Grants of Milk Analysers	13,854,750	-
	<u>113,902,491</u>	<u>20,081,884</u>
18 TRADE AND OTHER PAYABLES		
Trade Creditors	361,338,430	262,896,321
Expense Creditors	375,602,086	346,801,069
Other Payables	184,527,495	165,778,518
	<u>921,468,010</u>	<u>775,475,909</u>
19 BANK OVERDRAFTS		
Bank of Ceylon	139,748,029	414,044,838
People's Bank	86,901,507	240,439,753
Pan Asia Bank	1,095,660	19,144,218
	<u>227,745,196</u>	<u>673,628,809</u>

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019

	For the Year Ended	For the Year
	31st December,	Ended
	2021	31st December,
	Rs.	2020
	Rs.	Rs.
20 REVENUE		
Gross Sales	12,475,491,370	11,104,710,548
	<u>12,475,491,370</u>	<u>11,104,710,548</u>
21 OTHER INCOME		
Surcharges on Returned Cheques	4,712,373	2,363,316
Non Refundable Deposit	61,000	24,000
Non Refundable tender Deposit	1,748,500	163,500
Differed Income	12,311,892	8,998,110
Registration of Suppliers	3,193,500	3,248,000
Sundry Income	4,164,853	3,351,759
Exchange Gain	47,507,169	14,127,003
Fines & Surcharges	490,884	434,922
House Rent	574,008	444,151
Sale of Unserviceable Items	388,028	292,648
Disposal gain	-	28,367
	<u>75,152,207</u>	<u>33,475,777</u>
22 FINANCE INCOME		
Interest on Call/Fixed Deposit - Local	12,589,123	14,760,152
Interest on Fixed Deposit - Foreign Currency (USD)	46,452,198	31,134,260
Interest on Staff Loans	7,068,275	7,078,169
	<u>66,109,595</u>	<u>52,972,581</u>
23 FINANCE COSTS		
Interest on Finance Lease	1,585,770	3,968,914
Interest on Loans	2,325,157	10,260,496
Interest on Bank Overdrafts	25,256,078	105,510,572
	<u>29,167,006</u>	<u>119,739,982</u>

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2019

		As at 31st December, 2021 Rs.	As at 31st December, 2020 Rs.
24 INCOME TAX EXPENSES			
Current Income Tax Provision	24.1	-	-
Deferred Tax Charge for the Year	14	-	-
24.1 Accounting Profit Before Taxation		114,803,167	317,106,364
Less: Income Considered Separately		-	-
Profit from Trade or Business			
Less: Net allowable and Disallowable Expenses for Tax Purpose		-	-
Business (Loss)/Profit Applicable Taxation			
Tax Rate			
Exempt Other Income			
Liable Other Income			
Tax Rate			
Tax on Chargeable Profit or Income			
Tax Effect on Deductions			
Provision for the Year (Tax on Adjusted Income)		-	-

25 EARNINGS/(LOSS) PER ORDINARY SHARE

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

	2020 Rs.	2020 Rs.
Net Profit/(loss) Attributable to Ordinary Shares	442,290,107	207,810,750
Weighted Average Number of Ordinary Share	31,945,406	31,945,406
	13.85	6.51

25.1 Diluted Earnings Per Share

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

26 UNRECOGNIZED CONTRACTUAL COMMITMENTS

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

27 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

27.1 Contingent Liabilities

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

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

Since a reliable estimate of the amounts which will be resulting a future cash out flow can not be made and the out come is unknown, a provision had not been made in the accounts in respect of above contingencies.

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

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

27.2 Contingent Assets

There are no contingent assets as at the reporting date.

28 RELATED PARTY DISCLOSURE

28.1 Substantial Shareholding and Ultimate Ownership

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

28.2 Key Management Personnel Information

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

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

	For the Year Ended 31st December 2021	For the Year Ended 31st December 2020
Short-term employee benefits	3,295,631	2,527,657

28.3 Related Party Transactions

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

29 COMPARATIVE INFORMATION

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

30 ASSETS PLEDGED AS COLLATERALS

Following assets have been pledged as security against loans

Nature of Liabilities The Name of Bank	Loan / Facility Granted Rs.	Balance Outstanding As At 31.12.2021 Rs.	Balance Outstanding As At 31.12.2020 Rs.	Repayment	Assets Pledged
Loan granted by Bank of Ceylon	100,000,000	(24,999,976)	49,999,984	Repayable in 48 equal monthly instalments of Rs.2,083,334/-	Fixed Deposits Amounting US\$ 3,150,040.69 of Bank of Ceylon.
Bank Overdraft facility provided by Bank of Ceylon	600,000,000	2,330,365	12,267,147	On Demand	Stock in trade movables and effect of the obligation including stocks of packing materials and finished goods and other moveable property lying in and upon or stored at No. 45, Nawala Road, Narahenpita in the district of Colombo, Western Province and present and or future book debts of the company. Fixed deposit amounting to Rs. 210,000,000.
Bank Overdraft facility provided by People's Bank	189,500,000	(3,852,857)	177,426,763	On Demand	Lodgment of Trade related Post dated Cheques.
Post Dated Cheque discounting facility provided by Bank of Ceylon	75,000,000	-	4,500	On Demand	Lodgment of Trade related Post dated Cheques.
Post Dated Cheque discounting facility provided by Pan Asia Bank	300,000,000	-	18,984,512	On Demand	Fixed deposit amounting to Rs. 50,000,000 and lodgment of Trade related Post dated Cheques.
Bank Overdraft facility provided by Pan Asia Bank	100,000,000	-	-	On Demand	

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

31 EVENTS AFTER THE REPORTING DATE

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

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

Accordingly, approval was grant to;

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

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

32.1 Fair Value of the Financial Instrument Carried at Amortized Cost

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

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

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

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

Assets for which fair Value Approximate Carrying Value

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

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

33.1 Introduction

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

Risk Management Framework

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

Principal Financial Instruments

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

Instrument

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

33.2 Credit Risk – Default Risk

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

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2021

33.3 Liquidity Risk and Funding Management

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

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

33.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

Company	On Demand	Less than 2 Months	2 to 12 Months	1 to 5 Years	Over 5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Instrument - Held to Maturity	-	-	-	897,013,432	-	897,013,432
Trade and Other Receivables	-	981,537,042	-	-	-	981,537,042
Cash and Cash Equivalents	52,187,649	-	-	-	-	52,187,649
Total Financial Assets	<u>52,187,649</u>	<u>981,537,042</u>	<u>-</u>	<u>897,013,432</u>	<u>-</u>	<u>1,930,738,122</u>
Financial Liabilities						
Trade and Other Payables	-	921,468,010	-	-	-	921,468,010
Interest Bearing Loans and Borrowings	-	2,083,302	22,916,718	-	-	25,000,020
Payable to the Treasury of Government of Sri Lanka	-	-	-	-	18,414,496,875	18,414,496,875
Bank Overdraft	227,745,196	-	-	-	-	227,745,196
Total Financial Liabilities	<u>227,745,196</u>	<u>923,551,312</u>	<u>22,916,718</u>	<u>-</u>	<u>18,414,496,875</u>	<u>19,588,710,100</u>
Total Net Financial Assets/ (Liabilities)	<u>(175,557,547)</u>	<u>57,985,730</u>	<u>(22,916,718)</u>	<u>897,013,432</u>	<u>(18,414,496,875)</u>	<u>(17,657,971,978)</u>

33.4 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.

MILCO (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2021

	Note	For the Year Ended 31st December, 2021 Rs.	For the Year Ended 31st December, 2020 Rs.
Revenue		12,475,491,370	11,104,710,548
Cost of Sales	I	(11,275,040,253)	(9,703,560,044)
Gross Profit		1,200,451,117	1,401,150,505
Other Operating Income	II	75,152,207	33,475,777
		1,275,603,325	1,434,626,282
Administrative Expenses	III	(763,517,585)	(707,165,072)
Distribution Expenses	IV	(427,066,473)	(336,890,593)
Other Expenses	V	(7,158,688)	(6,696,851)
Profit/ (Loss) from Operations		77,860,578	383,873,765
Finance Income	VI	66,109,595	52,972,581
Finance Expenses	VII	(29,167,006)	(119,739,982)
Net Profit/ (Loss) Before Taxation		114,803,167	317,106,364
Income Tax Expenses		-	-
Net Profit/(Loss) for the Year after Taxation		114,803,167	317,106,364

Draft Unaudited Financial Statements

MILCO (PVT) LTD
DETAIL NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2021

	For the Year Ended 31st December, 2021 Rs.	For the Year Ended 31st December, 2020 Rs.
I. COST OF SALES		
Cost of Purchase of Raw Milk	6,201,466,104	5,297,736,481
Chilling Cost	414,492,388	412,909,018
Development Cost	290,542,148	262,476,767
Bowser Cost	274,137,684	245,612,988
Net Stock Adjustments on Raw Materials	(636,399)	502,902
Cost of Other Raw Materials	1,368,959,754	1,034,614,747
Total Cost of Raw Materials	8,548,961,680	7,253,852,902
Cost of Packing Materials	1,270,330,081	952,755,788
Cost of Processing and Packing Labours	510,914,376	480,708,484
Prime Cost	10,330,206,138	8,687,317,174
Energy Cost		
Furnace Oil	352,278,131	344,487,550
Electricity	154,545,666	147,063,404
Diesel	34,041,935	45,548,155
Water	195,812	79,523
Other Energy Cost	23,629,010	20,858,618
Total Energy Cost	564,690,553	558,037,251
Other Consumables		
Lab Chemicals	11,133,259	10,396,662
Detergent & Cleaning Material	54,816,038	53,457,091
Wages and Staff Welfare of Factory Staff	428,952,073	421,221,031
Marginal Cost	11,389,798,062	9,730,429,209
Factory Overheads		
Depreciation of Plant and Machinery	458,316,520	463,178,689
Repairs and Maintenance of Plant and Machinery	110,508,369	102,497,181
Repairs and Maintenance of Buildings	59,587,921	43,835,774
Transport	6,080,304	4,352,162
Insurance	21,669,880	20,465,782
Total Factory Overheads	656,162,995	634,329,589
Total Cost of Production	12,045,961,056	10,364,758,798
Net Stock/ Transfer Adjustments on Finish Goods	(770,720,601)	(552,236,491)
Adjustment for Changes in Actuary Assumption	-	(109,295,614)
Unrealised profit adjustment	(200,202)	333,351
	11,275,040,253	9,703,560,044

	For the Year Ended 31st December, 2021 Rs.	For the Year Ended 31st December, 2020 Rs.
II. OTHER INCOME		
Surcharges on Returned Cheques	4,712,373	2,363,316
Non Refundable Deposit	61,000	24,000
Non Refundable tender Deposit	1,748,500	163,500
Differed Income	12,311,892	8,998,110
Registration of Suppliers	3,193,500	3,248,000
Sundry Income	4,164,853	3,351,759
Exchange Gain	47,507,169	14,127,003
Fines & Surcharges	490,884	434,922
House Rent	574,008	444,151
Sale of Unserviceable Items	388,028	292,648
Disposal gain	-	28,367
Margin on Liquid Milk Sale	-	-
	<u>75,152,207</u>	<u>33,475,777</u>
III. PERSONNEL EXPENSES		
Staff Salaries	264,061,819	253,748,355
Staff Allowances	2,318,963	2,900,985
Contributions to Employees' Provident Fund	26,496,338	24,491,464
Contributions to Employees' Trust Fund	6,611,640	6,017,764
Provision for Defined Benefit Plans - Gratuity	28,910,516	54,799,645
Overtime	16,461,580	15,522,679
Staff Bonus	12,690,779	12,809,704
Casual Wages	1,549,874	2,267,264
Overtime	31,522	115,009
E.P.F.	11,163	24,623
E.T.F.	9,544	12,992
Incentives	2,039,996	2,941,500
Leave Payment	11,488,264	18,566,319
Transport Allowance	4,093,266	3,759,069
Fuel Allowances	1,302,051	1,031,188
Staff Training	1,682,697	287,000
Medical expenses	2,329,278	2,340,334
Death Donation	386,000	220,000
Gift Vouchers	475,421	394,778
Staff Welfare	40,800,333	25,866,278
Mid day Allowance	312,465	345,632
Field Allowance	1,296,200	493,400
Uniform	562,635	31,052
Telephone Allowances	144,000	111,542
Professional allowance	2,951,500	-
	<u>429,017,846</u>	<u>429,098,577</u>

	For the Year Ended 31st December, 2021 Rs.	For the Year Ended 31st December, 2020 Rs.
III ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Repairs and Maintenance	63,636,931	40,786,024
Directors Expense	3,295,631	2,527,657
Travelling	4,120,038	5,236,336
Garden Maintains	12,110,851	8,983,635
Bank Charges	2,333,280	2,773,782
Bungalow Expenses	289,946	173,163
Quality Control Expenses	2,748,246	1,584,579
Depreciation on Property, Plant and Equipment	39,790,870	26,930,175
Legal Charges	3,101,542	2,945,018
Printing and Stationary	8,822,798	7,670,210
Security Charges	51,491,196	53,952,408
PEST control	189,000	141,108
Sundry Expenses	873,274	243,667
Electricity expenses	15,590,307	15,711,861
Water expenses	763,578	656,940
Rent & Rates	19,090,773	20,609,735
Stamp Expenses	(179,733)	98,902
Postage Expenses	254,608	294,608
Advertisement	2,257,398	373,923
News Papers & Periodicals	366,350	405,470
Vehicle License	464,140	356,290
Vehicle Hiring	1,235,157	2,382,817
Accounting & Auditing expenses	7,290,469	6,272,366
Consultancy Charges	3,454,980	4,493,185
Insurance	26,488,206	25,686,932
Fuel Expenses	28,817,163	27,604,847
DESMI Project Expenses	27,889,081	14,195,695
Telephones Expenses	4,530,547	3,887,447
ESC - Write Off	-	-
Loss from dissociation of fixed assets	11,778	-
Entertainment Expenses	627,671	1,015,405
Exchange loss	-	-
Charity and donations	2,000,000	72,310
Fine and surcharges	657,413	-
Vehicle tracking system maintenance fee	86,250	-
	<u>334,499,739</u>	<u>278,066,495</u>
Total Administration Expenses	<u><u>763,517,585</u></u>	<u><u>707,165,072</u></u>

	For the Year Ended 31st December, 2021 Rs.	For the Year Ended 31st December, 2020 Rs.
IV. SELLING AND DISTRIBUTION EXPENSES		
Advertisements and Sales Promotion	94,785,340	66,855,441
Transport Expenses	125,525,391	91,043,224
Sales Commission	38,401,513	26,710,818
Warehousing Chargers	(3,351)	279,128
Vehicle hiring chargers	34,722,782	22,781,892
Out Let Expense	114,270,533	115,307,573
Repair & Maintanance of Motor Vehicle	16,070	(42,523)
Repairs & Maintenance of Bottle Coolers	37,725	114,811
Fuel	256,455	274,065
Free issues and write off of Finish Goods	19,054,015	13,566,165
	<u>427,066,473</u>	<u>336,890,593</u>
V. OTHER EXPENSES		
Loss on Milk Transfers	217,390	1,259,755
Stock write-off- Finish goods	4,184,285	5,437,096
Stock write-off- Raw & packing materials	2,757,013	-
	<u>7,158,688</u>	<u>6,696,851</u>
VI. FINANCE INCOME		
Interest on call/fixed deposit	12,589,123	14,760,152
Interest on Fixed Deposit - Foreign Currency (USD)	46,452,198	31,134,260
Interest on Distress Loan	6,798,796	6,857,181
Interest on Motor Cycle Loan	256,062	183,569
Interest on Special Loan	13,416	37,419
	<u>66,109,595</u>	<u>52,972,581</u>
VII. FINANCE COSTS		
Interest on Bank Overdrafts	25,256,078.25	105,510,572
Lease Interest	1,585,770.48	3,968,914
Loan Interest	2,325,157	10,260,496
	<u>29,167,006</u>	<u>119,739,982</u>

Draft Unaudited Financial Statements