

MILCO (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2022

		As at 31st December, 2022 Rs.	As at 31st December, 2021 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	2	4,965,610,276	5,315,271,466
Right-of-Use Assets	3	26,218,218	36,865,562
Capital Work-In-Progress	4	12,549,110,748	12,571,475,462
Financial Instrument - Amortised cost	5	1,572,277,741	897,013,432
Long-term Advances	6	139,152,682	139,152,682
Total Non-Current Assets		19,252,369,664	18,959,778,604
Current Assets			
Inventories	7	1,811,912,390	1,283,214,063
Trade and Other Receivables	8	1,120,292,061	981,537,042
Income Tax Receivable	9	212,514,712	212,514,712
Cash and Cash Equivalents	10	21,412,345	52,187,649
Total Current Assets		3,166,131,508	2,529,453,466
Total Assets		22,418,501,172	21,489,232,070
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		97,859,245	504,852,857
Shareholders' Fund		780,457,745	1,187,451,358
Non-Current Liabilities			
Deferred Tax Liability	14	-	-
Non-interest Bearing Borrowings	15	2,108,063	2,108,063
Interest Bearing Borrowings - Long-Term	15	18,414,496,875	18,417,323,965
Retirement Benefit Obligations - Gratuity	16	664,633,454	587,470,656
Deferred Income - Government Grant	17	90,005,850	113,902,491
Total Non-Current Liabilities		19,171,244,241	19,120,805,174
Current Liabilities			
Trade and Other Payables	18	820,193,294	921,468,010
Interest Bearing Borrowings - Short Term	15	3,770,709	31,762,332
Bank Overdrafts	19	1,642,835,184	227,745,196
Total Current Liabilities		2,466,799,186	1,180,975,538
Total Equity and Liabilities		22,418,501,172	21,489,232,070

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

.....
Renuka Perera
Chairman

MILCO (PRIVATE) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	Note	For the Year Ended 31 st December, 2022 Rs.	For the Year Ended 31 st December, 2021 Rs.
Revenue	20	13,043,698,809	12,475,491,370
Cost of Sales		(12,658,039,604)	(11,275,040,253)
Gross Profit		385,659,206	1,200,451,117
Other Operating Income	21	618,707,548	75,152,207
		1,004,366,754	1,275,603,325
Administrative Expenses		(925,920,104)	(763,517,585)
Distribution Expenses		(499,280,753)	(427,066,473)
Other Expenses		(800,844)	(7,158,688)
Profit/ (Loss) from Operations		(421,634,947)	77,860,578
Finance Income	22	186,867,704	66,109,595
Finance Expenses	23	(156,745,905)	(29,167,006)
Net Loss Before Taxation		(391,513,148)	114,803,167
Income Tax Expenses	24	-	-
Net Loss for the Year after Taxation		(391,513,148)	114,803,167
Other Comprehensive Income			
Item that will not be reclassified subsequently to profit or loss:			
Remessurement of Defined Benefit Plan, Net of Taxes		(15,480,465)	327,486,940
Total Other Comprehensive Income Net of Tax		(15,480,465)	327,486,940
Total Comprehensive Income		(406,993,613)	442,290,107
Basic Earning/(Loss) Per Share	25	(12.74)	13.85

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, 2022

	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Sinking Fund Rs.	Retained Earnings Rs.	Total Rs.
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>
Net Profit for the Year	-	-	-	-	(391,513,148)	(391,513,148)
Other Comprehensive Income	-	-	-	-	(15,480,465)	(15,480,465)
Balance as at 31st December 2022	<u>319,454,060</u>	<u>25,000,000</u>	<u>336,454,463</u>	<u>1,689,978</u>	<u>97,859,245</u>	<u>780,457,745</u>

Figures in brackets indicate deductions.

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

Unaudited Draft Financial Statement

MILCO (PRIVATE) LIMITED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	As at 31st December, 2022 Rs.	As at 31st December, 2021 Rs.
Cash Flow from Operating Activities		
Net Loss Before Taxation	(391,513,148)	114,803,167
Adjustments for ;		
Depreciation on Property, Plant and Equipment	484,162,002	520,478,138
Income from Investment	(179,779,919)	(59,041,321)
Interest Expense	155,942,198	27,581,235
Lease Interest	943,574	1,787,690
Recognized Income on Deferred Grants	(27,496,642)	(12,311,892)
Exchange Gain	(565,566,405)	(47,507,169)
Provision for Defined Benefit Plans - Gratuity	115,655,959	108,782,100
Disposal loss	(6,885,017)	(11,778)
Amortisation of right-of-use assets	10,647,345	11,450,372
Operating Profit Before Working Capital Changes	(403,890,053)	666,010,542
(Increase)/Decrease in Inventories	(528,698,327)	(150,275,990)
(Increase)/Decrease in Trade and Other Receivables	(138,755,019)	93,569,112
Increase/(Decrease) in Trade and Other Payables	(101,274,716)	145,992,101
Cash Generated from Operations	(1,172,618,115)	755,295,765
Interest Paid	(155,942,198)	(27,581,235)
Payment of Defined Benefit Plans - Gratuity	(53,973,626)	(35,377,300)
Net Cash From/ (Used In) Operating Activities	(1,382,533,939)	692,337,230
Cash Flow from Investing Activities		
Acquisition of Property, Plant and Equipment	(99,793,679)	(99,585,541)
Investments in Property, Plant and Equipment in the Course of Con	(8,950,692)	(35,082,963)
Proceeds from disposal of Assets	7,093,290	28,032
Interest Received	179,779,919	59,041,321
New/ (Withdrawal) Short-Term and Long-Term Investment (Net)	(109,697,904)	(37,986,435)
Net Cash Used In Investing Activities	(31,569,065)	(113,585,586)
Cash Flow from Financing Activities		
Lease Rental Paid	(6,762,312)	(11,242,022)
Loans and Borrowings Repayments	(24,999,976)	(86,666,488)
Net Cash Used In Financing Activities	(31,762,288)	(97,908,510)
Net Increase in Cash and Cash Equivalents	(1,445,865,292)	480,843,134
Cash and Cash Equivalents at the Beginning of the Year (Note	(175,557,547)	(656,400,682)
Cash and Cash Equivalents at the End of the Year (Note B)	(1,621,422,839)	(175,557,547)

MILCO (PRIVATE) LIMITED
CASH FLOW STATEMENT - (Contd..)
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	As at 31st December, 2022 Rs.	As at 31st December, 2021 Rs.
At the Beginning of the Year		
Balances at Banks	10,895,767	12,456,380
Petty Cash in Hand	1,291,881	4,771,749
	<u>12,187,649</u>	<u>17,228,129</u>
Bank Overdrafts	(227,745,196)	(673,628,809)
	<u>(215,557,547)</u>	<u>(656,400,681)</u>
At the End of the Year		
Balances at Banks	16,765,396	10,895,767
Call deposits	-	40,000,000
Petty Cash in Hand	4,646,949	1,291,881
	<u>21,412,345</u>	<u>52,187,649</u>
Bank Overdrafts	(1,642,835,184)	(227,745,196)
	<u>(1,621,422,839)</u>	<u>(175,557,547)</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, 2022

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, Sigana, Polonnaruwa and construction of Badalbama factory was in progress as of 31st December 2022.

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, 2022 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, 2022

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, 2022 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, 2022

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
FOR THE YEAR ENDED 31ST DECEMBER, 2022

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	04 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, 2022

1.3.3 Right-of-use assets recognised under SLFRS 16

a) Right-of-use assets

The company recognises right-of-use assets when the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain the ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

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 amortised over the lease term

b) Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low value assets recognition exemption. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight line basis over the lease term.

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 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.

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

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.

(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.

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

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.

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.

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

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 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

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

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NOTES TO THE FINANCIAL STATEMENTS
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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.

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.

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FOR THE YEAR ENDED 31ST DECEMBER, 2022

(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.

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

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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 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

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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 recognized when the control of the goods or services is transferred to the customer at an amount that reflects 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 recognized 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 recognizes 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.

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2022

2. 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	Balance	
	As At 01.01.2022			As At 31.12.2022	As At 01.01.2022			As At 31.12.2022	As At 01.01.2022	As At 31.12.2022
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Land	3,250,000	-	-	3,250,000	-	-	-	-	3,250,000	3,250,000
Buildings	520,473,372	52,409,649	-	572,883,021	257,066,606	43,948,341	-	301,014,948	263,406,766	271,868,074
Plant and Machinery	7,583,040,409	13,053,674	-	7,596,094,083	2,724,403,103	351,023,961	-	3,075,427,064	4,858,637,307	4,520,667,019
Furniture and Fittings	56,251,780	2,851,197	-	59,102,977	47,571,622	3,440,924	-	51,012,547	8,680,157	8,090,430
Laboratory Equipment	87,748,034	5,989,328	-	93,737,361	73,713,104	6,710,738	-	80,423,842	14,034,930	13,313,519
Motor Vehicles	151,142,408	-	(7,310,000)	143,832,408	164,774,977	4,827,746	(7,310,000)	162,292,723	(13,632,569)	(18,460,315)
Tools and Equipment	373,506,170	31,545,043	-	405,051,214	324,054,572	24,063,495	-	348,118,067	49,451,598	56,933,147
Bottles and Crates	381,310,140	12,669,627	-	393,979,767	356,523,348	11,016,405	-	367,539,753	24,786,792	26,440,014
Computer Equipment	66,024,699	10,919,656	(7,900)	76,506,454	51,861,692	7,061,664	(320,492)	58,602,865	14,163,006	17,903,590
Bottle Coolers	244,241,324	5,076,000	-	249,317,324	158,957,846	26,350,872	-	185,308,719	85,283,478	64,008,605
Office Equipment	12,281,495	167,412	(180,967)	12,267,940	10,064,639	940,189	(90,101)	10,914,727	2,216,855	1,353,213
Milk Cans	80,300,380	27,500	-	80,327,880	75,523,399	4,677,666	-	80,201,065	4,776,981	126,815
Total	9,559,570,210	134,709,085	(7,928,867)	9,686,350,429	4,244,514,909	484,062,002	(7,720,593)	4,720,856,317	5,315,055,302	4,965,494,111
b) Intangible Assets										
Computer Software	3,137,209	-	-	3,137,209	2,921,045	100,000	-	3,021,045	216,164	116,164
Total	9,562,707,419	134,709,085	(7,928,867)	9,689,487,638	4,247,435,953	484,162,002	(7,720,593)	4,723,877,362	5,315,271,466	4,965,610,276

3. RIGHT-OF-USE ASSETS

Description of Assets	Value			Balance		Amortisation		Net value		
	Balance	Additions	Disposals	Balance	Balance	Charge for the Year	On Disposals	Balance	Balance	
	As At 01.01.2022			As At 31.12.2022	As At 01.01.2022			As At 31.12.2022	As At 01.01.2022	As At 31.12.2022
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Motor Vehicles	64,897,966	-	-	56,607,966	28,032,404	10,647,345	-	30,389,749	36,865,562	26,218,218
Total	64,897,966	-	-	56,607,966	28,032,404	10,647,345	-	30,389,749	36,865,562	26,218,218

3.1 Following amounts related to right-of-use assets have been recognised in income statement during the year.

Amortization of right of use assets
Interest on lease liabilities

MILCO (PRIVATE) LIMITED
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AS AT 31ST DECEMBER, 2022

	Balance As At 01.01.2022 Rs.	Incurred During the Period Rs.	Capitalized/ Charged During the Period Rs.	Balance As At 31.12.2022 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	18,054,259	-	-	18,054,258
Construction of Chilling Centre- Lunugala	250,480	-	-	250,480
Construction of office building at Digana Milk Factory	29,597,405	-	(7,602,821)	21,994,584
Construction of cold room at Digana Milk Factory	23,712,585	-	(23,712,585)	-
Construction of Chilling Centre- Mundalama	1,506,993	-	-	1,506,993
Renovation of circuit bungalow	2,546,752	8,950,692	-	11,497,444
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>12,571,475,462</u>	<u>8,950,692</u>	<u>(31,315,406)</u>	<u>12,549,110,748</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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AS AT 31ST DECEMBER, 2022

	As at 31 st December, 2022 Rs.	As at 31 st December, 2021 Rs.
5 FINANCIAL INSTRUMENT - AMORTISED COST		
5.1 Long-Term Fixed Deposits		
Fixed Deposits - BOC - US \$	1,351,967,131	692,013,432
Fixed Deposits - PB & PABC	220,310,610	205,000,000
	<u>1,572,277,741</u>	<u>897,013,432</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 15 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	682,324,447	345,514,270
Work-in-Progress		4,380,582	6,476,414
Finished Goods		347,358,039	274,092,814
Consumables	7.2	775,592,769	658,864,238
Goods in Transit	7.3	14,352,916	10,362,689
Provision for Inventory	7.4	(12,096,362)	(12,096,362)
		<u>1,811,912,390</u>	<u>1,283,214,063</u>

7.1 Raw and Packing Materials

Raw Materials - Dairy Production	138,825,427	75,709,749
Packing Material	516,307,964	246,687,691
Raw Milk Stock	20,154,553	16,080,327
Bottle Cooler Stock	3,496,313	3,496,313
Drugs and Other Stock	3,540,190	3,540,190
	<u>682,324,447</u>	<u>345,514,270</u>

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AS AT 31ST DECEMBER, 2022

As at
31st December,
2022
Rs.

As at
31st December,
2021
Rs.

7.2 Consumables

General Stores	89,994,149	71,703,256
Engineering Stores	612,216,248	523,509,046
Motor Stores	17,124,926	13,682,272
Fuel and Lubricant Stores	47,228,575	40,940,793
Milk Can Stock	9,028,871	9,028,871
	<u>775,592,769</u>	<u>658,864,238</u>

7.3 Goods In Transit

Finished Goods in Transit	5,218,164	8,190,396
Goods in Transit Lab Equipment	125,798	125,798
Raw Milk In Transit	897,096	897,096
Yogurt Culture	8,111,858	1,149,400
	<u>14,352,916</u>	<u>10,362,689</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	518,056,738	528,770,147
Receivable from the Government of Sri Lanka	8.2	9,373,874	9,373,875
Other Debtors		44,900,865	44,900,865
Advances, Deposits and Prepayments		241,668,212	193,270,227
Staff Debtors		187,958,737	173,349,268
Import Control		44,488,476	3,704,361
Interest receivables on fixed deposits		73,845,158	28,168,299
		<u>1,120,292,061</u>	<u>981,537,042</u>

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	As at	As at
	31st December,	31st December,
	2022	2021
	Rs.	Rs.
8.1 Trade Receivables		
Total Debtors	568,970,362	579,683,771
Less: Provision for Impairment	(50,913,625)	(50,913,625)
	<u>518,056,738</u>	<u>528,770,147</u>
8.2 Receivable from the Government of Sri Lanka		
Receivable from the Ministry of Livestock and Development	9,279,541	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>288,355,080</u>	<u>288,355,081</u>
Less: Provision for Impairment	(278,981,206)	(278,981,206)
	<u>9,373,874</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	16,765,396	10,895,767
Investments in call deposits	-	40,000,000
Petty Cash in Hand	4,646,949	1,291,881
	<u>21,412,345</u>	<u>52,187,649</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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NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2022

	As at 31st December, 2022 Rs.	As at 31st December, 2021 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	890,599,613	890,599,613
Tax effect on Temporary Difference on Retirement Benefit Obligatio	(162,821,301)	(162,821,301)
Less: Tax effect on Temporary Differences on Tax Losses	(1,046,468,637)	(1,046,468,637)
Probable Deferred Tax Liability	<u>(318,690,324)</u>	<u>(318,690,324)</u>

Deferred tax assets amounting to KKR 318,690,324 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	3,770,709	31,762,332
Payable after One Year	15.1.1 to 15.1.4	18,414,496,875	18,417,323,965
		<u>18,418,267,583</u>	<u>18,449,086,297</u>

15.1.1 Gross Lease Creditor

Balance at the Beginning of the Year	10,704,661	21,946,682
During the Year Additions	-	-
During the Year Payments	(6,762,312)	(11,242,022)
Balance at the end of the Year	<u>3,942,349</u>	<u>10,704,661</u>

Interest in Suspense

Balance at the Beginning of the Year	1,115,258	2,902,948
On Lease Facility Obtained During the Year	-	-
Amount Transferred to Statement of Comprehensive Income	(943,574)	(1,787,690)
Balance at the End of the Year	<u>171,684</u>	<u>1,115,258</u>
Net Liability	<u>3,770,665</u>	<u>9,589,402</u>

Current Maturity Portion	3,770,665	6,762,312
Long-Term Maturity Portion	-	2,827,090
	<u>3,770,665</u>	<u>9,589,402</u>

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2022

	As at 31st December, 2022 Rs.	As at 31st December, 2021 Rs.
15.1.2 Bank Loans and Borrowings		
Balance at the Beginning of the Year	25,000,020	111,666,508
Received During the Year	-	-
Less: During the Year Payments	<u>(24,999,976)</u>	<u>(86,666,488)</u>
Balance at the End of the Year	44	25,000,020
Current Maturity Portion	44	25,000,020
Long-Term Maturity Portion	-	-
	<u>44</u>	<u>25,000,020</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, 2022

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

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

Subsequently, the Government of Sri Lanka entered into an on-lending agreement 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, 2022

	As at 31st December, 2022 Rs.	As at 31st December, 2021 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	587,470,656	841,552,796
Current Service Cost	45,159,480	46,591,348
Interest Cost	70,496,479	62,190,752
(Gain)/ Loss from Changes in Assumption	15,480,465	(327,486,940)
Payment Made During the Year	(53,973,626)	(35,377,300)
Balance at the End of the Year	664,633,454	587,470,656

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, 2022. 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	18.00% p.a
Staff Turnover Factor	5% 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 Comprehensive Income Rs.	Effect on Employee Benefit Obligation Rs.
1%	*	(29,867,581)	634,765,873
-1%	*	32,609,523	697,242,977
**	1%	37,502,761	702,136,215
**	-1%	(34,711,237)	629,922,217

* Salary Increment Rate 10% for the Company

** Discount Rate 12.00%

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2022

	As at 31st December, 2022 Rs.	As at 31st December, 2021 Rs.
17 GOVERNMENT GRANT		
17.1 Balance at the Beginning of the Year	113,902,491	20,081,884
Grant Received During the Year	3,600,001	106,132,499
Grant Recognized to the Statement of Comprehensive Income During the Year	(27,496,642)	(12,311,892)
Balance at the End of the Year	<u>90,005,850</u>	<u>113,902,491</u>
17.2 Deferred Government Grant		
Grant of Samanthurai	327,601	473,200
Grant of Thimilathive	420,000	585,000
Grant of Milk Cans	114,392	114,392
Grant of 14 Sales Outlets	318,750	393,750
Grant of LCRD	16,000,582	16,000,582
Grant of Electric Grass Cutters	52,775	52,776
Grants of Coolers	-	190,542
Grants of Bottle Coolers under	59,872,500	82,237,500
Grants of Milk Analysers	12,899,250	13,854,750
	<u>90,005,850</u>	<u>113,902,491</u>
18 TRADE AND OTHER PAYABLES		
Trade Creditors	263,663,624	361,338,430
Expense Creditors	360,940,555	375,602,086
Other Payables	195,589,114	184,527,495
	<u>820,193,294</u>	<u>921,468,010</u>
19 BANK OVERDRAFTS		
Bank of Ceylon	1,492,277,219	139,748,029
People's Bank	150,471,089	86,901,507
Pan Asia Bank	86,875	1,095,660
	<u>1,642,835,184</u>	<u>227,745,196</u>

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	For the Year Ended 31st December, 2022 Rs.	For the Year Ended 31st December, 2021 Rs.
20 REVENUE		
Gross Sales	13,118,382,901	12,475,491,370
(-) Social Security Contribution Levy	(74,684,092)	-
	<u>13,043,698,809</u>	<u>12,475,491,370</u>
21 OTHER INCOME		
Surcharges on Returned Cheques	4,882,029	4,712,373
Non Refundable Deposit	49,500	61,000
Non Refundable tender Deposit	1,060,500	1,748,500
Differed Income	27,496,642	12,311,892
Registration of Suppliers	3,032,000	3,193,500
Sundry Income	8,092,273	4,164,853
Exchange Gain	565,566,405	47,507,169
Fines & Surcharges	559,126	490,884
House Rent	559,650	574,008
Sale of Unserviceable Items	524,408	388,028
Disposal gain	6,885,017	-
	<u>618,707,548</u>	<u>75,152,207</u>
22 FINANCE INCOME		
Interest on Call/Fixed Deposit - Local	37,253,868	12,589,123
Interest on Fixed Deposit - Foreign Currency (USD)	142,526,052	46,452,198
Interest on Staff Loans	7,087,785	7,068,275
	<u>186,867,704</u>	<u>66,109,595</u>
23 FINANCE COSTS		
Interest on Finance Lease	803,708	1,585,770
Interest on Loans	139,866	2,325,157
Interest on Bank Overdrafts	155,802,332	25,256,078
	<u>156,745,905</u>	<u>29,167,006</u>

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

		As at 31st December, 2022 Rs.	As at 31st December, 2021 Rs.
24 INCOME TAX EXPENSES			
Current Income Tax Provision	24.1	-	-
Deferred Tax Charge for the Year	14	-	-
24.1 Accounting Profit Before Taxation		(391,513,148)	114,803,167
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.

	2022 Rs.	2021 Rs.
Net Profit/(loss) Attributable to Ordinary Shares	(406,993,613)	442,290,107
Weighted Average Number of Ordinary Share	31,945,406	31,945,406
	(12.74)	13.85

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, 2022

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 2022	For the Year Ended 31st December 2021
Short-term employee benefits	3,383,538	3,295,631

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, 2022

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 31.12.2022 Rs.	Balance Outstanding As At 31.12.2021 Rs.	Repayment	Assets Pledged
Loan granted by Bank of Ceylon	100,000,000	-	24,999,976	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	600,000,000	2,267,147	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.
Bank Overdraft facility provided by Bank of Ceylon	1,200,000,000	629,090,702	-	On Demand	Fixed Deposits Amounting US\$ 3,150,040.69 of Bank of Ceylon.
Bank Overdraft facility provided by People's Bank	189,500,000	-	3,852,557	On Demand	Fixed deposit amounting to Rs. 210,000,000.

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2022

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 Instruments 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	1,572,277,741	1,572,277,741
Trade and Other Receivables	1,120,292,061	1,120,292,061
Cash and Cash Equivalent	21,412,345	21,412,345
Total Financial Assets	2,713,982,147	2,713,982,147
Financial Liabilities		
Trade and Other Payables	820,193,294	820,193,294
Interest Bearing Loans and Borrowings	44	44
Payable to the Treasury of Government of Sri Lanka	18,414,496,875	18,414,496,875
Bank Overdraft	1,642,835,184	1,642,835,184
Total Financial Liabilities	20,877,525,396	20,877,525,396

MILCO (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31ST DECEMBER, 2022

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, 2022

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 Rs.	Less than 2 Months Rs.	2 to 12 Months Rs.	1 to 5 Years Rs.	Over 5 Years Rs.	Total Rs.
Financial Instrument - Held to Maturity	-	-	-	1,572,277,741	-	1,572,277,741
Trade and Other Receivables	-	1,120,292,061	-	-	-	1,120,292,061
Cash and Cash Equivalents	21,412,345	-	-	-	-	21,412,345
Total Financial Assets	<u>21,412,345</u>	<u>1,120,292,061</u>	<u>-</u>	<u>1,572,277,741</u>	<u>-</u>	<u>2,713,982,147</u>
Financial Liabilities						
Trade and Other Payables	-	820,193,294	-	-	-	820,193,294
Interest Bearing Loans and Borrowings	-	44	-	-	-	44
Payable to the Treasury of Government of Sri Lanka	-	-	-	-	18,414,496,875	18,414,496,875
Bank Overdraft	1,642,835,184	-	-	-	-	1,642,835,184
Total Financial Liabilities	<u>1,642,835,184</u>	<u>820,193,338</u>	<u>-</u>	<u>-</u>	<u>18,414,496,875</u>	<u>20,877,525,396</u>
Total Net Financial Assets/ (Liabilities)	<u>(1,621,422,839)</u>	<u>300,098,723</u>	<u>-</u>	<u>1,572,277,741</u>	<u>(18,414,496,875)</u>	<u>(18,163,543,249)</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, 2022

	Note	For the Year Ended 31st December, 2022 Rs.	For the Year Ended 31st December, 2021 Rs.
Revenue		13,043,698,809	12,475,491,370
Cost of Sales	I	(12,658,039,604)	(11,275,040,253)
Gross Profit		385,659,206	1,200,451,117
Other Operating Income	II	618,707,548	75,152,207
		1,004,366,754	1,275,603,325
Administrative Expenses	III	(925,920,104)	(763,517,585)
Distribution Expenses	IV	(499,280,753)	(427,066,473)
Other Expenses	V	(800,844)	(7,158,688)
Profit/ (Loss) from Operations		(421,634,947)	77,860,578
Finance Income	VI	186,867,704	66,109,595
Finance Expenses	VII	(156,745,905)	(29,167,006)
Net Profit/ (Loss) Before Taxation		(391,513,148)	114,803,167
Income Tax Expenses		-	-
Net Profit/(Loss) for the Year after Taxation		(391,513,148)	114,803,167

Unaudited Draft Financial Statement

MILCO (PVT) LTD
DETAIL NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2022

	For the Year Ended 31st December, 2022 Rs.	For the Year Ended 31st December, 2021 Rs.
I. COST OF SALES		
Cost of Purchase of Raw Milk	5,584,954,973	6,201,466,104
Chilling Cost	434,002,874	414,492,388
Development Cost	438,474,887	290,542,148
Bowser Cost	417,435,872	274,137,684
Net Stock Adjustments on Raw Materials	725,810	(636,399)
Cost of Other Raw Materials	2,159,726,449	1,368,959,754
Total Cost of Raw Materials	9,035,320,863	8,548,961,680
Cost of Packing Materials	1,934,859,663	1,270,330,081
Cost of Processing and Packing Labour	579,176,116	510,914,376
Prime Cost	11,549,356,643	10,330,206,138
Energy Cost		
Furnace Oil	807,009,493	352,278,131
Electricity	196,009,175	154,545,666
Diesel	100,433,840	34,041,935
Other Energy Cost	239,975	195,812
Water	23,558,580	23,629,010
Total Energy Cost	1,127,251,063	564,690,553
Other Consumables		
Lab Chemicals	12,043,696	11,133,259
Detergent & Cleaning Material	120,910,116	54,816,038
Wages and Staff Welfare of Factory Staff	516,370,174	428,952,073
Marginal Cost	13,325,931,692	11,389,798,062
Factory Overheads		
Depreciation of Plant and Machinery	415,389,507	458,316,520
Repairs and Maintenance of Plant and Machinery	101,924,896	110,508,369
Repairs and Maintenance of Buildings	58,404,136	59,587,921
Transport	176,580	6,080,304
Insurance	21,552,788	21,669,880
Total Factory Overheads	597,447,907	656,162,995
Total Cost of Production	13,923,379,599	12,045,961,056
Net Stock/ Transfer Adjustments on Finish Goods	(1,265,293,707)	(770,720,601)
Unrealised profit adjustment	(46,288)	(200,202)
	12,658,039,604	11,275,040,253

	For the Year Ended 31st December, 2022 Rs.	For the Year Ended 31st December, 2021 Rs.
II. OTHER INCOME		
Surcharges on Returned Cheques	4,882,029	4,712,373
Non Refundable Deposit	49,500	61,000
Non Refundable tender Deposit	1,060,500	1,748,500
Differed Income	27,496,642	12,311,892
Registration of Suppliers	3,032,000	3,193,500
Sundry Income	8,092,273	4,164,853
Exchange Gain	565,566,405	47,507,169
Fines & Surcharges	559,126	490,884
House Rent	559,650	574,008
Sale of Unserviceable Items	524,408	388,028
Disposal gain	6,885,017	-
	<u>618,707,548</u>	<u>75,152,207</u>
III. PERSONNEL EXPENSES		
Staff Salaries	332,633,622	264,061,819
Staff Allowances	22,610,743	2,318,963
Contributions to Employees' Provident Fund	32,377,323	26,496,338
Contributions to Employees' Trust Fund	8,092,265	6,611,640
Provision for Defined Benefit Plans - Gratuity	17,068,305	28,910,516
Overtime	16,534,090	16,461,580
Staff Bonus	13,445,473	12,690,779
Casual Wages	1,161,765	1,549,874
Overtime		31,522
E.P.F.		11,163
E.T.F.		9,544
Incentives	1,918,200	2,039,996
Leave Payment	9,399,824	11,488,264
Transport Allowance	1,138,367	4,093,266
Fuel Allowances	19,668,028	1,302,051
Staff Training	2,232,386	1,682,697
Medical expenses	2,161,363	2,329,278
Death Donation	1,002,560	386,000
Gift Vouchers	363,375	475,421
Staff Welfare	47,023,086	40,800,333
Mid day Allowance	648,400	312,465
Field Allowance	214,900	1,296,200
Uniform	483,767	562,635
Telephone Allowances	241,589	144,000
Professional allowance	4,195,833	2,951,500
	<u>534,615,265</u>	<u>429,017,846</u>

	For the Year Ended 31st December, 2022 Rs.	For the Year Ended 31st December, 2021 Rs.
III.1 ADMINISTRATION AND ESTABLISHMENT EXPENSES		
Repairs and Maintenance	58,000,491	63,636,931
Directors Expense	3,383,538	3,295,631
Travelling	7,983,284	4,120,038
Garden Maintains	10,996,391	12,110,851
Bank Charges	2,358,876	2,333,280
Bungalow Expenses	1,113,486	289,946
Quality Control Expenses	1,157,380	2,748,246
Depreciation on Property, Plant and Equipment	82,324,582	39,790,870
Legal Charges	5,349,236	3,101,542
Printing and Stationary	14,740,392	8,822,798
Security Charges	56,695,665	51,491,196
PEST control	323,500	189,000
Sundry Expenses	443,896	873,274
Electricity expenses	17,870,041	15,590,307
Water expenses	764,317	763,578
Rent & Rates	22,558,556	19,090,773
Stamp Expenses	66,565	(179,733)
Postage Expenses	266,198	254,608
Advertisement	3,090,439	2,257,398
News Papers & Periodicals	706,600	366,350
Vehicle License	86,913	464,140
Vehicle Hiring	126,964	1,235,157
Accounting & Auditing expenses	10,345,231	7,290,469
Consultancy Charges	1,704,498	3,454,980
Insurance	19,111,059	26,488,206
Fuel Expenses	51,328,123	28,817,163
DESMI Project Expenses	7,877,065	27,889,081
Telephones Expenses	7,866,945	4,530,547
ESC - Write Off	-	-
Loss from dissociation of fixed assets	-	11,778
Entertainment Expenses	752,260	627,671
Exchange loss	-	-
Charity and donations	1,562,100	2,000,000
Fine and surcharges	-	657,413
Vehicle tracking system maintenance fee	350,250	86,250
	<u>391,304,839</u>	<u>334,499,739</u>
Total Administration Expenses	<u><u>925,920,104</u></u>	<u><u>763,517,585</u></u>

	For the Year Ended 31st December, 2022 Rs.	For the Year Ended 31st December, 2021 Rs.
IV. SELLING AND DISTRIBUTION EXPENSES		
Advertisements and Sales Promotion	100,336,553	94,785,340
Transport Expenses	166,775,874	125,525,391
Sales Commission	45,156,113	38,401,513
Warehousing Chargers	-	(3,351)
Vehicle hiring chargers	32,980,678	34,722,782
Out Let Expense	125,656,287	114,270,533
Repair & Maintanance of Motor Vehicle	87,798	16,070
Repairs & Maintenance of Bottle Coolers	52,920	37,725
Fuel	159,299	256,455
Cash loss at sales outlet	49,337	-
Free issues and write off of Finish Goods	28,025,894	19,054,015
	<u>499,280,753</u>	<u>427,066,473</u>
V. OTHER EXPENSES		
Loss on Milk Transfers	-	217,390
Stock write-off- Finish goods	800,844	4,184,285
Stock write-off- Raw & packing materials	-	2,757,013
	<u>800,844</u>	<u>7,158,688</u>
VI. FINANCE INCOME		
Interest on call/fixed deposit	37,253,868	12,589,123
Interest on Fixed Deposit - Foreign Currency (USD)	142,526,052	46,452,198
Interest on Distress Loan	6,893,568	6,798,796
Interest on Motor Cycle Loan	194,217	256,062
Interest on Special Loan	-	13,416
	<u>186,867,704</u>	<u>66,109,595</u>
VII. FINANCE COSTS		
Interest on Bank Overdrafts	155,802,332	25,256,078
Lease Interest	803,708	1,585,770
Loan Interest	139,866	2,325,157
	<u>156,745,905</u>	<u>29,167,006</u>