Annual Report

2019/20

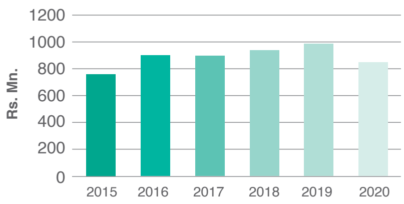
Muller & Phipps (Ceylon) PLC

Contents

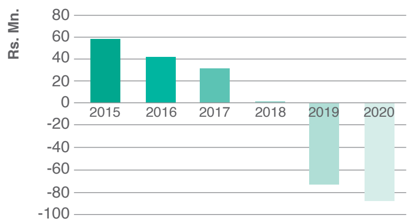
Financial Highlights

	2019/20 Rs. 000	2018/19 Rs. 000
Group Turnover	847,098	988,647
Group Profit/ (Loss) before Taxation	(87,954)	(73,451)
Group Profit/ (Loss) after Taxation	(103,953)	(60,512)
Shareholders' Funds Group	23,510	120,871
Earnings per Share (Rs.) Group	(0.37)	(0.21)
Net Assets per Share (Rs.) Group	0.08	0.43
Market Value per Share	0.60	0.60

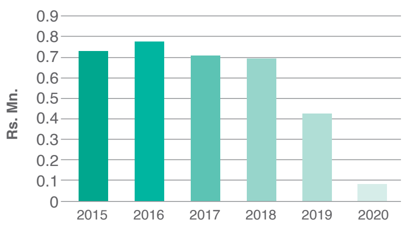
Group Turnover



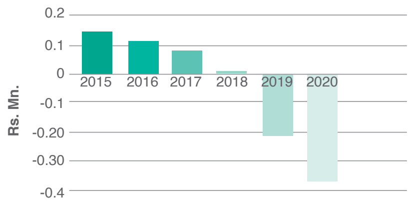
Group Profit / (Loss) before Taxation



Net Assets per Share (Rs.)



Earnings/ (Loss) per Share (Rs.)



Notice of Meeting

Notice is hereby given that the Fifty Fifth Annual General Meeting of Muller & Phipps (Ceylon) PLC will be held on 30th December, 2020, at 10.00 a.m. and conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or 98, Sri Sangaraja Mawatha, Colombo 10, for the following purposes, namely :

1. To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2020 with the Report of the Auditors thereon.

2. To re-elect as a Director, Dr. A.M. Mubarak who retires in accordance with Articles 83 & 84 of the Articles of Association.

3. To reappoint Mr. P. Pathmarajah who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No. 6 below).

4. To reappoint Mr. R.N. Bopearatchy who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No. 7 below).

5. To reappoint Mr. A.R. Rasiah who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No. 8)

6. To reappoint Mr. S.N.P. Palihena who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No. 9)

7. To authorize the Directors to determine contributions to charities.

8. To reappoint as Auditors, KPMG Chartered Accountants, and authorize the Directors to determine their remuneration.

9. Special Business

   To consider and if thought fit to pass the following Special Resolution to amend the Articles of Association of the Company in the manner following:

Special Resolution

Resolved –

- "that the name of the Company set opposite the words "The Company" in the table under Article 2 of the Articles of Association be amended to read as follows:

The Company Muller & Phipps (Ceylon) PLC

- that the meaning set opposite the words "the Statutes" in the table under Article 2 of the Articles of Association be amended to read as follows:

The Statutes	The Companies Act No. 7 of 2007, all amendments thereto including all regulations made thereunder and every other Act or Ordinance for the time being in force concerning companies and affecting the Company.

- that the following words and meanings be included in the table under Article 2 of the Articles of Association immediately following the words "The Statutes" and the meaning set opposite:

The Act	The Companies Act No. 7 of 2007 and all amendments thereto including all regulations made thereunder.
Electronic Facility/ies	A system or method providing an electronic means of participating at a meeting including audio, or audio and visual communication by which all shareholders and or participants participating can simultaneously hear each other throughout the meeting.

- that the meaning set opposite the words "In Writing" in the table under Article 2 of the Articles of Association be amended to read as follows:

In writing	Written or to the extent permitted by law in any other form.

- that the existing Article 44 be renumbered as Article 44(1) and the following new Articles numbered 44(2) and 44(3) be included immediately after the renumbered Article 44(1):

44 (2) A General Meeting may be held-

(i) by means of audio, or audio and visual communication by which all Members participating and constituting a quorum, can simultaneously hear each other throughout the meeting; or

(ii) by the quorum being present and assembled together at the place, date and time appointed for the meeting; or

(iii) by simultaneous attendance and participation partly by means of an Electronic Facility/ies and by being assembled together at a place, where all Members participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

(3) In the event all persons participating in the General Meeting cannot be accommodated in the meeting room where the Chairman will be, the Directors can arrange for any people who they consider cannot be seated in such main meeting room, to attend in an overflow room or rooms. Any overflow room must have a live video and two way sound link with the main room for the General Meeting, where the Chairman will be. The video and sound link must enable those in all the rooms to see and hear the proceedings of the other rooms. The notice of the General Meeting does not have to give details of any arrangements under this Article. However at the discretion of the Board the notice and or a circular accompanying the notice shall incorporate details on maximum number of Members to be accommodated in the

main room. The Directors can decide on how to divide people between the main room and any overflow room. If any overflow room is used, the General Meeting will be treated as being held in the main room.

- that the existing Article 46 be deleted and the following be substituted therefor:

46 (1) An Annual General Meeting and any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company, shall be called by fifteen working days notice in writing at the least and any other General Meeting by ten working days notice in writing at the least, (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) given in manner hereinafter mentioned to such Members as are under the provisions of these presents entitled to receive such notice from the Company and to the Auditors.

Provided that a General Meeting notwithstanding that it has been called by shorter notice than that specified above shall be deemed to have been duly called if it is agreed-

(i) In the case of an Annual General Meeting, by all the Members entitled to attend and vote threat; and

(ii) In the case of any other meeting, by the members having the right to attend and vote at the meeting, being members together holding shares which carry not less than ninety-five per centum of the voting rights, on each issue to be considered and voted on at that meeting.

(2) Notice of every General Meeting shall be given in any manner herein authorised to-

a) every Member except those Members who (having no registered address within Sri Lanka) have not supplied to the Company an address within Sri Lanka for the giving of Notices to them;

b) every person upon whom the ownership of a share devolves by reason of his being a legal representative or a trustee in bankruptcy or insolvency of a Member where the Member but for his death or bankruptcy would be entitled to receive Notice of the meeting;

c) the auditors for the time being of the Company.

No other person shall be entitled to receive Notices of General Meetings.

- the following new Article numbered 48(d) be included immediately after the existing Article 48 (c)

48(d) In the case of any General Meeting being conducted partly or completely by an Electronic Facility/ies the notice and or a circular accompanying the notice shall provide details on the method of access and participation including how to speak and vote at the meeting."

- that the existing Article 51 be deleted and the following be substituted therefor:

51 (1) No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business. The quorum for all purposes shall be three (03) each being a Member or a proxy for a Member or attorney or (in the case of a corporation) by an authorized representative.

(2 In determining attendance at a General Meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

(3) Where a General meeting is held partly or completely by Electronic Facility/ies, the Board and the Chairman may stipulate any requirement that is reasonably necessary to ensure the identification of such participants and the security of the electronic communication.

- that the existing Article 55 (ii) be deleted and the following be substituted therefor:

55 (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote; or

- that the existing Article 55 inclusive of the aforesaid change be renumbered as 55(1) and the following new Article 55(2) be included immediately after the renumbered Article 55(1)

55 (2) Notwithstanding the aforesaid provisions contained in Article 55(1), at any General Meeting held partly or completely by means of an Electronic Facility/ies, a resolution put to the vote shall be decided either by Members signifying their assent or dissent via electronic means or in the event of a poll, such poll votes may be cast by such electronic means as the Board deems appropriate.

- that the existing Article 66 be renumbered as Article 66(1) and the following new Article numbered 66(2) be included immediately after the renumbered Article 66(1):

66 (2) A non-resident shareholder may appoint and revoke proxies by cable , facsimile or by any electronic media provided such appointment or revocation by cable or facsimile or electronic means under the shareholder's signature is received not less than forty eight (48) hours before the commencement of the Meeting at which it is to be used.

- that the existing Article 91 be renumbered as Article 91(1) and the following new Articles numbered 91(2) and 91(3) be included immediately after the renumbered Article 91(1):

91 (2) The Board may concurrently participate either in person or by telephone, radio, conference television or similar equivalent communication or any other form of audio or audiovisual instantaneous communication by which all persons participating in the conference are able to hear and be heard by all other participants for the dispatch of business and adjourn and otherwise regulate the conference as they think fit or by a combination of such methods. All provisions relating to the convening of a meeting of the Board, including the giving of Notice thereof and Agenda, the quorum for such conference meeting and the votes to be cast shall be the same as is applicable under these Presents in relation to such Meetings.

91 (3) A resolution passed by such conference meeting may be constituted by an instrument in hard copy or electronic form (duly executed) and shall notwithstanding that the Directors are not present together at one place at the time of the conference, be deemed to have been passed at a conference of the Directors held on the day and at the time at which the conference was held and shall be deemed to have been held at the registered office of the Company unless otherwise agreed, and all Directors and other persons including the Secretary participating at that conference shall be deemed for all purposes to be present at the conference.

- that the existing Article 96 be deleted and the following be substituted therefor:

96 A resolution in writing signed by all the Directors for the time being in Sri Lanka (provided such number of Directors in Sri Lanka shall constitute a valid quorum of Directors as hereinbefore set out) shall be as effective as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form, each signed by one or more of the Directors. Provided always that a resolution faxed or e-mailed or transmitted by any other electronic means under their respective signature/s shall be deemed to have been signed by them for all purposes hereof and shall be as effective as a resolution duly voted on at a meeting of the Board.

- that the existing Article 111 be deleted and the following be substituted therefor:

111. The Directors shall cause minutes to be maintained either in books or electronic means as permitted by law for the purpose:-

(a) of all the appointments of officers made by the Directors;

(b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings at all Meetings of the Company, and of the Directors, and of committees of Directors:

and every Director present at any meeting of Directors or committee of Directors shall sign his name on the attendance register to be kept for that purpose.

- that the existing Article 134 be deleted and the following be substituted therefor:

134 A copy of every balance sheet and profit and loss account which is to be laid before a General Meeting of the Company (including every document required by law to be annexed thereto) together with a copy of every report of the Auditors relating thereto and of the Directors' report, shall not less than fifteen working days before the date of the meeting be sent by post or any other instantaneous method of communication or made available on the Company's website and/or on the website of the Colombo Stock Exchange to every Member of, and every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these presents (provided that this Article shall not require a copy of these documents to be sent to any person of whose address in Sri Lanka the Company is not aware or to more than one of the joint-holders, but any Member to whom a copy of these documents has not been sent, shall be entitled to receive a copy free of charge on application at the office).

Notwithstanding anything to the contrary and in accordance with section 167 of the Act, the Company may, in the first instance, send every Member by post or any other instantaneous method of communication, or made available on the Company's website and/or on the website of the Colombo Stock Exchange the Annual Report together with the Financial Statements in the summarised form as may be prescribed, in consultation with the Institute of Chartered Accountants of Sri Lanka. The Company shall inform each Member that he is entitled to receive, if he so requires, the full Financial Statement or a printed copy of the Annual Report within a stipulated period of time.

- that the following new Article numbered 139(B) be included immediately after the existing Article 139 (A)

139 (B) In the event of a postal disruption, the Company may issue communication/ notices through the

Company's website and/or on the website of the Colombo Stock Exchange and/or by any other electronic means.

- that the existing Article 143 be deleted and the following be substituted therefor:

143 If a Member has no registered address in Sri Lanka, and has not supplied to the Company an address outside Sri Lanka for the giving of notices to him, a notice posted up in the registered office of the Company and/or on the Company's website and/or the Colombo Stock Exchange website shall be deemed to be duly given to him at the expiration of 24 hours from the time when it is so posted up."

By Order of the Board,
CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED.
Secretaries

Colombo

30th November 2020

Notes:

1. A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed with this Report.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company's Secretaries at No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than forty eight hours before the time fixed for the meetings.

4. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the meeting and submit the same to the Company in accordance with the instructions given on the reverse of the Form of Proxy.

5. Please refer the "Circular to Shareholders" dated 30th November 2020 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.

6. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "that Mr. P. Pathmarajah who is seventy seven years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director, Mr. P. Pathmarajah."

7. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

Resolved –

"that Mr. R.N. Bopearatchy, who as at the date of the Annual General Meeting of the Company, would have reached eighty years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director, Mr. R.N. Bopearatchy."

8. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "that Mr. A.R. Rasiah who as at the date of the Annual General Meeting of the Company, would have reached seventy five years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director, Mr. A.R. Rasiah."

9. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "that Mr. S.N.P. Palihena who is seventy three years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to the said Director, Mr. S.N.P. Palihena. "

10. In the event the Company is required to take any further action in relation to the meeting due to COVID - 19 Pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange.

Chairman's Review

I have great pleasure in welcoming you to the Fifty Fifth Annual General Meeting of the Company and on behalf of the Board of Directors, present the Annual Report and Audited Financial Statements of the Company and its subsidiary for the year ended 31st March 2020.

The Company and its subsidiary continued to face challenges in its operations in the year under review, as in the previous year.

The Company's trading operations are carried out by its fully owned subsidiary Pettah Pharmacy (Private) Limited. The Group recorded a business turnover of Rs. 847 Mn and a loss before tax of Rs. 88 Mn.

Compared to the previous year, the turnover has reduced by Rs. 141 Mn and the loss before tax has increased by Rs. 14 Mn. The drop in turnover and the increase in loss was mainly due to its operations being hampered by the inordinate delay in settlement of dues by state institutions.

However, in the latter part of the financial year the subsidiary was able to mitigate its losses by supplying goods to state institutions supported by Letters of Credit and with the successful negotiations with the principals for extended credit. The Company from November 2019 adopted very stringent measures in cutting down cost and reducing its losses. We remain confident on account of these measures that the Group will return to profitability in the current financial year.

In conclusion, I wish to thank all the employees in the Group for their dedication and hard work and all our other stakeholders for their continuing support and confidence in the Company. I thank my colleagues on the Board for their invaluable counsel at all times.

S.D.R. Arudpragasam
Chairman

30th November 2020

Board of Directors

S.D.R. Arudpragasam – FCMA (UK)

Chairman

Mr. S.D.R. Arudpragasam joined the Board and was appointed Chairman in the year 2000. He serves as Chairman of several subsidiaries of The Colombo Fort Land & Building PLC (CFLB) including Chairman, Lankem Ceylon PLC and Chairman/ Managing Director of E.B. Creasy & Company PLC. He holds the position of Deputy Chairman on the Board of The Colombo Fort Land and Building PLC, in addition to holding other Directorships within the CFLB Group.

P. Pathmarajah

Director

Mr. P. Pathmarajah was appointed to the Board in 1995. He has extensive experience in promoting/ marketing pharmaceutical products. From 1993 to 2014. He had been responsible for the operations of the subsidiary Pettah Pharmacy (Private) Limited and functions as a Director/Consultant for that Company.

R.C.A. Welikala

Director

Mr. R. C. A. Welikala was appointed to the Board in 2006. He has extensive experience in marketing of fast moving consumer goods and has successfully developed key brands in the E. B. Creasy Group to market leadership positions. He also serves on several Boards of The Colombo Fort Land and Building Group.

R.N. Bopearatchy

B.Sc. (Cey), Dip. BM, MBA (Univ. of Col.]

Director

Mr. R.N. Bopearatchy was appointed to the Board in 2006. He has considerable expertise in product development, manufacturing and marketing of pesticides, pharmaceuticals and consumer products. Soon after graduation he was employed in Research in the Plant Pathology Division of the Tea Research Institute and subsequently joined Chemical Industries Colombo Limited., and was appointed to its Board. He also served on the Boards of Crop Management Services (Pvt) Ltd, the Managing Agents for Mathurata Plantations Ltd., CIC Fertilizers Ltd. and Cisco Specialty Packaging (Pvt) Ltd. He has held office as the Chairman of the Pesticide Association of Sri Lanka, the Toxicological Society of Sri Lanka and the International Mosquito Spiral Manufacturers Association (IMSMA). Mr. Bopearatchy currently holds several other Directorships within The Colombo Fort Land & Building Group.

P.M.A. Sirimane – FCA, MBA

Director

Mr. P.M.A. Sirimane joined the E.B. Creasy Group in October, 2009 and was appointed to the Board of Muller & Phipps (Ceylon) PLC in October, 2011. Amongst other senior positions he has functioned as Managing Director/CEO of Mercantile Leasing Ltd., Group Finance Director of United Tractor & Equipment Ltd., Chief Financial Officer, Sri Lanka Telecom

Ltd. and Director SLT Hong Kong Ltd. He has served as a Member of several Committees of the Institute of Chartered Accountants of Sri Lanka and was an ex-officio member of the International Leasing Association. Mr. Sirimane serves on the Board of E.B. Creasy & Company PLC and some of its subsidiaries and holds several other Directorships including The Colombo Fort Land & Building PLC (CFLB) on which Board he serves as Group Finance Director.

A.R. Rasiah – B.Sc.(Cey.), FCA

Director

Mr. A.R. Rasiah was appointed to the Board as an Independent Non-Executive Director on 2nd May, 2013. He possesses well over 40 years of experience in Finance at a very senior level both internationally and locally. He currently serves on certain Boards of the E.B. Creasy Group and on some of the Boards of the Hotels Sector in The Colombo Fort Land & Building Group, Sunshine Tea (Pvt) Ltd., Gestetner of Ceylon PLC., Synteract Lanka (Pvt) Ltd., Fintek Managed Solutions (Pvt) Ltd., Clindata Lanka (Pvt) Ltd, and as Chairman of Hela Group of Companies. He is a former (retired) Finance Director of Nestle (Lanka) PLC. He has been a visiting lecturer on Finance and Accounts for Nestle SA for Africa-Asian and Oceanic Regions and has travelled overseas extensively. Mr. Rasiah is a past lecturer for MBA students on Finance at the Postgraduate Institute of Management (PIM). He is a former President of the Benevolent Society of the Institute of Chartered Accountants of Sri Lanka as well as Tamil Union C & AC and currently the Chairman of The Sri Lanka Institute of Directors. He is also a keen sportsman who has represented Sri Lanka in Table-Tennis.

S.N.P. Palihena – FCIB (U.K.), FIB (SL), Post Grad. Dip. Bus. &FA

Director

Mr. S.N.P. Palihena was appointed to the Board as an Independent Non-Executive Director on 2nd May, 2013. In addition to serving on the Board of E.B. Creasy & Company PLC and some of its subsidiaries he also serves on certain Boards of The Colombo Fort Land & Building Group.

He was a former Chief Executive Officer/ General Manager of Bank of Ceylon and has had a distinguished banking career spanning almost forty years at the Bank of Ceylon. He has also worked at the National Development Bank of Sri Lanka for a period of over three years. Mr. Palihena is a former Director of the DFCC Bank and Softlogic Finance PLC.

Dr. A.M. Mubarak – B.Sc. (SL.) Ph. D. (Cantab), FICHEMC, FNASSL

Director

Dr. A.M. Mubarak was appointed to the Board as an Independent Non – Executive Director on 2nd September 2013. Dr. Mubarak, a former Director and Chief Executive Officer of the Industrial Technology Institute, has several years experience in managing industry oriented R&D. He has served as a visiting lecturer at several universities in Sri Lanka. Presently he holds the post of Chief of Research and Innovation at the Sri Lanka Institute of Nanotechnology.

Dr. Mubarak, a Commonwealth Scholar, has a B.Sc. degree from the University of Colombo and a Ph. D. from the University of Cambridge U.K. Dr. Mubarak has held the posts of President, Institute of Chemistry, Ceylon, General President, Sri Lanka Association for the Advancement of Science and President, National Academy of Sciences of Sri Lanka. He has also served as Chairman of National Science Foundation and on the Boards/Councils of the University of Colombo, Postgraduate Institute of Science, Sri Lanka Accreditation Board, National Engineering Research & Development Centre and National Science and Technology Commission. Presently he is a Member of the University of Sri Jayewardenapura Council and the Sri Lanka Standards Institute Council.

Dr. Mubarak serves on the Board of E.B. Creasy & Company PLC and some of its subsidiaries and as Chairman of Union Chemicals Lanka PLC.

Risk Management

The Board of Directors considers risk identification, assessment and mitigating activities to be vital in maintaining sustainable growth and making steady progress towards achievement of the corporate objectives. In the pursuit of opportunities it is unavoidable that we are subject to various risks. The management ensures that such risks are systematically identified and the procedures are in place to manage and control the same. Hence a well structured Risk Management Framework is in place under which the risks are being assessed. The identified risks are being reviewed by the Audit Committee at the Company level as well as at the Group level. Under the Framework, the risks are then prioritised and business units use both preventive and mitigation controls to manage risk exposures within the prescribed tolerance limits.

The principal foreseeable risks have been identified and are set out below with mitigation strategies. The nature and the scope of risks are subject to change and not all of the factors listed are within the control of the Group.

Description of Risk	Mitigation Strategies
Health and Safety Risk • Likelihood that an individual may be harmed or suffers adverse health effects if exposed to a workplace hazard or viral infection • Possibility of a customer facing health and safety risks while consuming a product or service provided by any of the businesses	• The business takes employee safety as the highest priority • Health and Safety related policies and procedures have been implemented across the group and periodically reviewed • Operations are designed considering employee health and safety • Quality policies and frameworks are in place at all our businesses and operations are carried out under strict quality controls • Staff are continuously trained on conducting operations by adhering to quality protocols
Business Interruption Business interruptions due to unforeseen events such as Easter attack and COVID-19 resulting disruptions to supply chain and distribution.	• Strengthening the business continuity plan • Risks and opportunities management • Use of technological advancements for remote operations and process automation

Risk Management Contd...

Product/Service Quality Risk Product quality is crucial as the Group's portfolio includes pharmaceutical products,	• Adequate business-specific quality control divisions to ensure high quality throughout our processes • Continuous training, quality management and assurance programs to strengthen the product quality
Risk of Political Instability Adverse impacts arising due to an unstable political environment in the country	• Analysing SWOT and PEST factors and developing appropriate strategies • Business diversification and enter alternate markets
Credit Risk Arising from debtor's bankruptcy or credit quality deterioration of customers	• Adherence to business specific credit control policies and credit worthiness verification procedures • Protection against credit risk through Bank Guarantees and efficient follow up and collection practices • Customer Relationship Management
Financial Risk Adverse impact on profitability as a result of adverse movements in the Interest rate risk, Inflation risk, exchange rates risk.	• Use of appropriate financial and hedging strategies • Negotiate for concessionary interest rates using Company strength • Effective treasury management • Dynamic pricing strategies
Regulatory and Compliance Risk Risk of introducing of new regulations affecting the business adversely and complexity in complying with regulatory requirements	• Monitor compliance with regulatory requirements • Lobby against regulations that could have a negative impact on business/ industry • Look for alternative strategies within the regulatory framework

Human Resource Risk Impact to business competitiveness due to the difficulties to recruit/retain required talent and issues pertaining to industrial relations	• Build strong employer brand and better industrial relations
Operational Risk Potential losses due to inadequate internal controls, failures of internal processes, cyber risk, people and systems as a result of natural and human activities	• Business continuity plans to ensure the smooth operation of the businesses even at the time of disaster • Internal audits on internal controls and compliance
Funding/Liquidity Risk Difficulty in obtaining required low cost funding for working capital and business expansion	• Maintain an acceptable retention policy • Use Group's strength as a listed Conglomerate to raise economical funding when required • Leverage on brand equity

The Group did not encounter any material issues pertaining to employees and industrial relations of the entity during the financial year under review.

Corporate Governance

Corporate Governance is the mechanism by which companies are managed and directed with the objective of balancing and attaining the corporate objectives, the alignment of corporate behavior within the expectations of the law and society and the accountability to shareholders and the responsibility to other recognized stakeholders.

BOARD COMPOSITION

The Board of Muller & Phipps (Ceylon) PLC comprises of eight Non-Executive Directors including the Chairman and three Independent Directors. They are equipped with a balance of skills and experience and together they provide strategic direction to the Company.

Mr. S. D. R. Arudpragasam
Non - Executive Director (Chairman)

Mr. P. Pathmarajah
Non - Executive Director

Mr. R.C.A. Welikala
Non - Executive Director

Mr. R.N. Bopearatchy
Non - Executive Director

Mr. P.M.A. Sirimane
Non - Executive Director

Mr. A.R. Rasiah
Independent Non-Executive Director

Mr. S.N.P. Palihena
Independent Non-Executive Director

Dr. A.M. Mubarak
Independent Non-Executive Director

The Non-Executive Directors have submitted declarations of their independence/ non independence to the Board.

Messrs A.R. Rasiah, S.N.P. Palihena and Dr. A.M. Mubarak serve on the Boards of E.B. Creasy & Co. PLC (EBCPLC), Parent Company and some of its subsidiaries and a majority of the Directors of the Company are on the Boards of EBCPLC and its subsidiaries. Mr. A.R. Rasiah and Mr. S.N.P. Palihena have also served on the Board of the Parent Entity and some of its subsidiaries for over a period of nine years. However, the Board after taking into consideration all other circumstances listed in the Rules pertaining to the Criteria for defining Independence, is of the opinion that Messrs. A.R. Rasiah, S.N.P. Palihena and Dr. A.M. Mubarak are nevertheless Independent.

DECISION MAKING OF THE BOARD

The Board meets as and when required and matters are also referred to the Board and decided by Resolutions in writing. The Interim and Annual Financial Statements are approved by the Board. Management Accounts and progress reports are also reviewed and approvals relating to the Annual Budgets, Capital Expenditure and new Investment are granted after consideration.

NOMINATION COMMITTEE AND APPOINTMENTS TO THE BOARD

The Nomination Committee of the Parent Company, E.B. Creasy & Company PLC functions as the Company's Nomination Committee. The Committee comprises of Mr. A.R. Rasiah, Chairman, Mr. S.N.P. Palihena and Mr. A.M. de S. Jayaratne, Independent Non- Executive Directors of E.B. Creasy & Co. PLC.

New Directors are proposed for Appointment by the Nomination Committee in consultation with the Chairman of the Company in keeping with the provisions of the Articles of Association of the Company in relation to same and in compliance with the Rules of Corporate Governance.

The details of new appointments to the Board are made available to the shareholders by making announcements to the Colombo Stock Exchange.

RE- ELECTION OF DIRECTORS

In terms of the Articles of Association a Director appointed by the Board holds office until the next Annual General Meeting, at which he seeks re-election by the Shareholders. The Articles require that one –third of the Directors (excluding a Director appointed to the office of Chairman, Managing Director or Joint Managing Director) retire at each Annual General Meeting. The Directors to retire are those who have been longest in office since their last election. Retiring Directors are eligible for re-election.

REMUNERATION COMMITTEE

The Company's Remuneration Committee comprises of Mr. A. R. Rasiah, Chairman, Mr. S.N.P. Palihena, Independent Non-Executive Directors and Mr. S.D.R. Arudpragasam, Non-Executive Director.

The remuneration policy in respect of the Company and its Subsidiary is to attract motivate and retain qualified and experienced personnel whilst determining remuneration packages for Key Management and Senior Management with the objective of rewarding performance in a fair manner based on merit, competence, individual performance and having regard to the Company's operating results and comparable market statistics of the Companies.

COMPANY SECRETARIES AND INDEPENDENT PROFESSIONAL ADVICE

The Company and all the Directors may seek advice from Corporate Managers and Secretaries (Private) Limited., who are qualified to act as Secretaries as per the provisions of the Companies Act No. 07 of 2007. Advice is also sought from independent external professionals whenever the Board deems it necessary.

INDEPENDENT JUDGEMENT

The Board is committed to exhibit high standards of integrity and independence of judgement. Each Director dedicates the time and effort necessary to carry out his responsibilities.

FINANCIAL ACUMEN

The Directors are from varied business and professional backgrounds. Their expertise enables them to exercise independent judgement and their views carry substantial weight in decision making. The Board includes three finance Professionals who possess the necessary knowledge to offer guidance on matters of finance.

SUPPLY OF INFORMATION

The Directors are provided with an Agenda, Minutes and relevant Board Papers prior to Board Meetings. Minutes of all the Meetings are properly recorded and circulated amongst the Directors.

CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING / GENERAL MEETINGS

The Board considers the Annual General Meeting / General Meetings an opportunity to communicate with Shareholders and encourages their participation. Questions raised by the Shareholders over the content of the Annual Report as well as other matters pertaining to the Company, are answered and an appropriate dialogue is maintained with them.

MAJOR TRANSACTIONS

There have been no transactions during the year under review which falls within the definition of 'Major Transactions' as set out in the Companies Act.

FINANCIAL REPORTING

The Board of Directors considers the timely publication of its Annual and Quarterly Financial Statements as a high priority. These publications include financial and non-financial information in order to facilitate the requirements of the existing and potential shareholders. The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards.

INTERNAL CONTROL

The Board is satisfied with the effectiveness of the system of internal controls for the period up to the date of signing the Financial Statements.

AUDIT COMMITTEE

The Audit Committee comprises of Mr. A.R. Rasiah, Chairman – Independent Non-Executive Director, Mr. S.N.P. Palihena, Independent Non-Executive Director and Mr. A.M. de S. Jayaratne Independent Non-Executive Director of the Parent Company, E. B. Creasy & Company PLC.

The Audit Committee Report is set out on page 26 & 27

RELATED PARTY TRANSACTION REVIEW COMMITTEE

The report of the Related Party Transaction Review Committee is set out on pages 28 & 29

The Board of Directors of Muller & Phipps (Ceylon) PLC present their Report on the Affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2020.

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best practices.

PRINCIPAL ACTIVITIES/ BUSINESS REVIEW

The Company serves as the Holding Company of its wholly owned subsidiary, Pettah Pharmacy (Private) Limited which is serving as an agent representative in Sri Lanka for foreign Pharmaceutical Companies and operates in importing, marketing and distribution of pharmaceuticals. The Chairman's Review together with the Financial Statements reflect the state of affairs of the Company.

The Directors to the best of their knowledge and belief confirm that the Company has not engaged in any activities that contravene laws and regulations.

Financial Statements

The Financial Statements of the Company are given on pages 37 to 100.

Auditors' Report

The Auditors' Report on the Financial Statements is given on Page 30 to 36.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 41 to 61. There were no changes in the Accounting Policies adopted.

INTEREST REGISTER

Directors' Interest in transactions

The Directors have made general disclosures as provided for in Section 192(2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 32.1.1 to the financial statements on page 96

Directors' Interest in Shares

Directors of the Company who have an interest in the shares of the Company are required to disclose their shareholdings and any acquisitions/ disposals to the Board in compliance with Section 200 of the Companies Act No. 07 of 2007. However, none of the Directors held any shares during the period under review nor in the previous year.

Directors' Remuneration

Key Management Personnel Compensation in respect of the Company and the Group for the financial year 2019/ 2020 is detailed in Note 32.1.2 to the Financial Statements on page 96

Directorate

The names of the Directors who held office during the financial year are given below and profiles on page 12 to 14

Mr. S.D.R. Arudpragasam	-	Chairman
Mr. P. Pathmarajah	-	Director
Mr. R.C.A. Welikala	-	Director
Mr. R.N. Bopearatchy	-	Director
Mr. P.M.A. Sirimane	-	Director
Mr. A.R. Rasiah	-	Director
Mr. S.N.P. Palihena	-	Director
Dr. A.M. Mubarak	-	Director

In terms of Article 83 & 84 of the Articles of Association Dr. A.M. Mubarak retires by rotation and being eligible offers himself for re-election.

Mr. P. Pathmarajah who is over seventy years of age offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. R.N. Bopearatchy who is over seventy years of age offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. A.R. Rasiah who is over seventy years of age offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. S.N.P. Palihena who is over seventy years of age offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Auditors

The Financial Statements of the Company for the year have been audited by KPMG the retiring Auditors who have expressed their willingness to continue as Auditors of the Company and are recommended for reappointment. A resolution to reappoint them and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, KPMG were paid Rs. 302,000/- (2019 – Rs. 280,000/-) as audit fees & fees for audit related services by the Company during the year under review. In addition the Group Companies are engaged with other audit firms. Audit fees in respect of these firms amounted to Rs. 841,000/- during the year under review (2019 – Rs. 844,519/-) Further, these Auditors were paid Rs. 76,000/- as the Non Audit Services fee during the year (2019- Rs. 73,000/-)

As far as the Directors are aware the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interests in the Company.

Revenue

The revenue of the Group for the year was Rs. 847 million (2018/2019 – Rs. 988.6 million)

Results

The Group made a loss before Tax Expense of Rs. 87.9 million, against a loss of Rs. 73.4 million in the previous year. The detailed results are given in the Statement of Profit or Loss and Other Comprehensive Income on page 37

Property, Plant & Equipment

Information relating to movement in Property, Plant & Equipment is given in Note 14 to the Financial Statements.

Stated Capital

In compliance with the Companies Act No. 07 of 2007, the Financial Statements reflect the Stated Capital of the Company. The Stated Capital is the total of all amounts received by the Company in respect of the issue of shares.

The Stated Capital of the Company as at 31st March 2020 is Rs. 83,000,000/- and is represented by 283,000,000 Ordinary Shares.

Reserves

The total reserves of the Group as at 31st March 2020 amounted to Rs. 59.5 million comprising General Reserves of Rs. 5 million, Capital Reserves of Rs. 0.4 million, AFS Reserves of Rs. 13.9 million and Accumulated loss of Rs. 78.8 million.

The movements are shown in the Statement of Changes in Equity in the Financial Statements on page 39

Taxation

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. 24 of 2017 and amendments thereto. Relevant details have been disclosed in Note.12 to these Financial Statements.

Related Party Transactions

During the financial year there were no recurrent or non-recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of Colombo Stock Exchange Listing Rules on Related Party Transactions.

The recurrent related party transactions entered into with related parties are exempt in terms of the Colombo Stock Exchange Listing Rules.

The Company has complied with the requirements of the Listing Rules on Related Party Transactions except for the number of Related Party Transactions Review Committee Meeting held during the year.

The Related Party Transactions presented in the financial statements are disclosed in Note 32 on pages 96 to 99.

Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 101 and 102

Events Occurring after the Reporting Date

No circumstances have arisen since the reporting date that would require adjustments to or disclosures in the Financial Statements other than those disclosed in Note 35 on page 100

Capital Commitments and Contingent Liabilities

Capital expenditure commitments and contingent liabilities as at the date of the Balance Sheet have been disclosed in Note 36 and 37 in the Financial Statements.

Group Employment Policy

The Group's recruitment and employment policy is non – discriminatory. The number of persons employed by the Group at the year end was 83 (2018/19– 84).

Shareholders

The Company has made all endeavours to ensure equitable treatment to all shareholders.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments of the Company due in relation to employees and the Government have been made.

Environmental Protection

The Company's business activities can have direct and indirect effects on the environment. It is the Company's policy to minimize any adverse effects its activities have on the environment and promote co-operation and compliance with the relevant authorities and regulations.

We confirm that the Company has not undertaken any activities which have caused or are likely to cause detriment to the environment.

Going Concern

As noted in the Financial Statement on page 99 the Directors have adopted the going concern basis in preparing Financial Statements.

For and on behalf of the Board,

R.N. Bopearatchy Director	R.C.A. Welikala Director

By Order of the Board

Corporate Managers & Secretaries (Private) Limited

Secretaries

30th November 2020

Remuneration Committee Report

Mr. A.R. Rasiah – Chairman - Independent/ Non-Executive Director

Mr. S.N.P. Palihena – Member - Independent/ Non-Executive Director

Mr. S.D.R. Arudpragasam – Member - Non-Executive Director

The Committee is responsible for recommending remuneration packages for the key management and senior management personnel of the Company and its subsidiary. In addition they lay down guidelines and parameters for the compensation structure of the management staff.

The key objective of the committee is to attract, motivate and retain qualified and experienced personnel and to ensure that the remuneration of executives at each level of management is competitive and are rewarded in a fair manner based on their performance.

Mr. A.R. Rasiah
Chairman
Remuneration Committee

30th November 2020

Audit Committee Report

The Audit Committee Report focuses on the activities of the Company for the year under review, which the Committee has reviewed and monitored as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective views.

COMPOSITION

The Audit Committee comprises of two Independent Non – Executive Directors of the Company and an Independent Non-Executive Director of the Parent Company, E.B. Creasy & Company PLC (EBC PLC).

The names of the members are set out below:

Mr. A.R. Rasiah - Chairman (Independent Non-Executive Director - Muller & Phipps (Ceylon) PLC)

Mr. S.N.P. Palihena - Member (Independent Non-Executive Director - Muller & Phipps (Ceylon) PLC)

Mr. A.M. de S. Jayaratne - Member (Independent Non-Executive Director – E .B. Creasy & Company PLC)

The members have varied experience, financial knowledge and business acumen to carry out their role effectively and efficiently. Two of the members are finance professionals, including the Chairman.

The Company's Secretaries, Corporate Managers and Secretaries (Private) Limited functions as the Secretaries to the Audit Committee.

ROLE OF THE AUDIT COMMITTEE

The Committee provides assistance to the Board of Directors in fulfilling its responsibility to the Shareholders and other Stakeholders relating to the Company's Financial Statements and the financial reporting process to ensure that the financial reporting system is in adherence with the Sri Lanka Accounting Standards and other regulatory and statutory requirements. It also reviews the adequacy of internal controls and the business risks.

The Committee has scrutinized the quarterly accounts and the accounts for the year ended 31st March, 2020.

MEETINGS AND ATTENDANCE

The Audit Committee has met on four occasions during the year ended 31st March, 2020.

The Attendance of the committee was as follows:

Mr. A.R. Rasiah	-	4/4
Mr. S.N.P. Palihena	-	4/4
Mr. A.M. de S. Jayaratne	-	4/4

Other members of the Board and Senior management personnel of the Company were present at discussions where appropriate. The proceedings of the Audit Committee are reported to the Board of Directors.

EXTERNAL AUDIT

The Company has appointed KPMG as its external Auditor and the service provided by them are segregated between audit/ assurance services and other advisory services.

The Audit Committee has determined that KPMG Auditors are independent on the basis that they do not carry out any management related functions of the Company. The Audit Committee also reviews the professional fees of the External Auditors.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of KPMG as Auditors for the financial year ending 31st March 2021, subject to the approval of the shareholders at the Annual General Meeting. The Fee to be agreed upon by the Directors.

CONCLUSION

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the audited accounts are free from any material misstatements.

A.R. Rasiah
Chairman
Audit Committee

30th November 2020

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) is entrusted with the responsibility of ensuring that Shareholders' interests are protected in all related party transactions.

COMPOSITION

The Related Party Transactions Review Committee of the Parent Company, E.B. Creasy & Company PLC (EBCPLC) functions as the Company's Related Party Transactions Review Committee which comprises of the following members:

Mr. R. Seevaratnam
Chairman - Independent/
Non-Executive Director, EBC PLC

Mr. A.M. de S. Jayaratne
Member - Independent/
Non-Executive Director, EBC PLC

Mr. A.R. Rasiah
Member - Independent/
Non-Executive Director, EBC PLC

Mr. P.M.A. Sirimane
Member - Executive Director,
EBC PLC

The Company's Secretaries, Corporate Managers & Secretaries (Private) Ltd. functions as the Secretaries to the Related Party Transactions Review Committee.

MEETINGS OF THE COMMITTEE

The Related Party Transactions Review Committee has met on two occasions in respect of Muller & Phipps (Ceylon) PLC during the financial year ended 31st March 2020.

The attendance of the Committee members was as follows:

Mr. R. Seevaratnam	-	2/2
Mr. A.M. de. S. Jayaratne	-	2/2
Mr. A.R. Rasiah	-	2/2
Mr. P.M.A. Sirimane	-	2/2

FUNCTIONS OF THE COMMITTEE:

- Review all proposed Related Party Transactions (Except for exempted transactions)
- Direct the transactions for Board approval / Shareholder approval as deemed appropriate
- Obtain updates on previously reviewed Related Party Transactions from Senior Management and approve any material changes
- Establish guidelines for Senior Management to follow in ongoing dealings with related parties.
- Review and assess on an Annual basis the transactions for Compliance against the Committee guidelines.

CONCLUSION

The Related Party Transactions Review Committee has reviewed the Related Party Transactions entered into during the financial year under review and has communicated its comments and observations to the Board of Directors.

Related Party Transactions have been reviewed and disclosed in a manner consistent with the Listing Rules. The Committee is free to seek external professional advice on matters within their purview when necessary.

The Board of Directors have also declared in the Annual Report that there were no recurrent or non-recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules and that the Company has complied with the requirements of the Listing Rules on Related Party Transactions except for the number of meetings held during the year.

R. Seevaratnam

Chairman

Related Party Transactions Review Committee

30th November 2020

Independent Auditor's Report

To the Shareholders of Muller & Phipps (Ceylon) PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Muller & Phipps (Ceylon) PLC ("the Company") and consolidated financial statements of the Company and its Subsidiary ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 37 to 100 of the Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Management assessment of the Group's ability to continue as a going concern</th></tr>
<tr><td colspan="2">Refer note 2.3 (accounting policy) and note 33 (notes to the financial statements)</td></tr>
<tr><th>Risk description</th><th>Our responses</th></tr>
<tr><td>The Group recorded a loss of Rs. 104 Mn during the financial year under review and accumulated losses of Rs. 79 Mn as at 31 March 2020.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis of preparation of the financial statements, the directors have reviewed the Subsidiary's cashflow projections which are effectively the Groups' cashflow projections for the next 12 months, prepared by the management. The cashflow projections were based on management's assumptions and estimation of future cash inflows and outflows.

We identified the assessment of going concern as a key audit matter because the cash flow projections referred to above involves consideration of future events and circumstances which are inherently uncertain, and effect of those uncertainties may significantly impact the resulting accounting estimates. Therefore, the assessment requires the exercise of significant management judgment in assessing future cash inflows and outflows which could be subject to management bias.</td><td>Our audit responses included;

• Checking the budgetary approval process at the Group and the Company level.

• Obtaining the Subsidiary's cashflow projections for five years from the reporting period end date and challenging the key assumptions used in preparing the projections.

• Evaluating the sensitivity of the projected available cash by considering downside scenarios together with reasonably plausible changes to the key assumptions and considering whether there were any indicators of management bias in the selection of the assumptions.

• Reviewing the facility agreements for the Subsidiary's long-term loans to identify any breach of financial covenants or similar terms and assessing the implication of these on the Group's liquidity.

• Obtaining a copy of the letter of financial assistance given by the immediate parent of the Group to the Company and assessed the implication of these on the Group's liquidity.

• Assessing adequacy of the disclosures in the financial statements in relation to the going concern basis of accounting with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Fair value and the impairment of investments in debt securities	
Refer note 6.11 & 6.12 (accounting policy) and note 10 and note 18.2 (notes to the financial statements)	
Risk description	**Our responses**
The investment in debt securities is measured at fair value through other comprehensive income at Rs. 24.45 Mn as at 31 March 2020 and the related impairment provision made during the year ended 31 March 2020 amounted to Rs. 8.75 Mn (Total impairment as at reporting date was Rs. 11.97 Mn). The asset rating of the aforementioned debt securities has been downgraded to C(lka) from CC(lka) during the subsequent period resulting in a significant increase in the credit risk of the investment in the debt securities. The valuation of the debt securities, held at fair value, was based on a combination of market data, management assumption and valuation models, which often require a considerable number of inputs. Expected Credit Loss (ECL) model which is required by SLFRS 09 "financial instruments" to apply when assessing the impairment provision also takes judgments in setting the assumptions such as forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. We identified assessing the fair value and the impairment provision of debt securities as a key audit matter because of the degree of complexity involved in valuing the debt securities and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.	Our audit procedures included; • Evaluating the model methodology and key assumptions used to measure the fair value and the impairment of the debt instruments by testing the completeness and accuracy of key inputs into models and assessed the appropriateness of other assumptions. • Evaluating the evidence available which determines the increase in the credit risk of the investment in debt securities as at 31st March 2020. • Assessing the adequacy of disclosures in the financial statements with reference to the requirements of the relevant accounting standards.

<table>
<tr><th colspan="2">Impairment of investment in subsidiary</th></tr>
<tr><td colspan="2">Refer note 6.12.B (accounting policy) and note 17 (notes to the financial statements)</td></tr>
<tr><th>Risk Description</th><th>Our response</th></tr>
<tr><td>As at 31st March 2020, the Company recorded Rs. 53.9Mn as investment in subsidiary. The Company is required to perform impairment assessment of its investment in subsidiary whenever there is an indication that the investment may be impaired. Accordingly, the Company performed an impairment assessment on the cash generating unit ("CGU") relating to the subsidiary, which had an indication of impairment. The Company estimated the recoverable amounts of the CGU based on its value in use ("VIU"). Estimating the VIU involves discounting the estimated future cash inflows and outflows expected to be derived from the CGUs to its present value using an appropriate discount rate. When determining the cash inflows and outflows the Company had to also estimate long term growth rates.

We identified this as an area of audit focus as the VIU determined using discounted cash flows involves significant management judgment and estimates which could be subject to management bias.</td><td>Our audit procedures included;

• Evaluating investment in subsidiary for impairment indicators and comparing carrying amount with the recoverable amount to assess the adequacy of the provision for impairment.

• Assessing cash flow forecast prepared by the management against our own expectations based on our knowledge of the Company and experience of the industry in which it operates.

• Testing the mathematical accuracy of the underlined calculations in the discounted cash flow valuation models.

• With the assistance of our own internal business valuation specialties, challenging the reasonableness of the key assumptions in the valuation models.

• Assessing the adequacy of disclosures in the financial statements.</td></tr>
</table>

Carrying value of inventories	
Refer note 6.13 (accounting policy) and note 20 (notes to the financial statements)	
Risk description	**Our responses**
As at 31 March 2020, the Group held inventories amounted to Rs. 124.4Mn, against which a provision of Rs. 15.8Mn was made. Inventories are carried at the lower of cost and net realizable value (NRV) in the Group financial statements. The Group has significant amount of inventory and judgment is exercised with regard to categorization of stocks as obsolete and/or slow moving to be considered for provision. Management determined the provision for inventory based on the level of inventories approaching expiry date taking into consideration of good return arrangement with supplier and estimated probability of selling. We focused on this area due to the magnitude of the inventory balances and judgments and estimates involved in the calculation of inventory provisions.	Our audit procedures included; • Testing key controls over inventory valuation and controls designed to identify slow moving and obsolete inventories. • Physical verification of inventories on a sample basis as at financial year end. • Comparison of inventory levels, by product group, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified and challenge the categorization as obsolete or slow moving. • Reviewing the work carried out by component auditors where necessary.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1224.

KPMG

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

30th November 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March,	Notes	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Revenue	8	847,098	988,647	2,000	2,000
Cost of sales		(706,615)	(833,426)	-	-
Gross profit		**140,483**	**155,221**	**2,000**	**2,000**
Other operating Income	9.1	2,487	4,679	-	-
Administrative expenses		(120,861)	(130,966)	(4,340)	(3,647)
Distribution expenses		(15,012)	(15,953)	-	-
Other operating expenses	9.2	(32,431)	(15,134)	-	-
Operating profit/(loss)		**(25,334)**	**(2,153)**	**(2,340)**	**(1,647)**
Finance income		9,936	12,477	10,224	13,439
Finance expenses		(72,556)	(83,775)	(12,033)	(479)
Net finance income/(expenses)	**10**	**(62,620)**	**(71,298)**	**(1,809)**	**12,960**
Profit/(loss) before income tax expense	**11**	**(87,954)**	**(73,451)**	**(4,149)**	**11,313**
Income tax (expense)/reversal	12	(15,999)	12,939	919	531
Profit/(loss) for the year		**(103,953)**	**(60,512)**	**(3,230)**	**11,844**
Other comprehensive income Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit obligation		325	(2,803)	-	-
Equity investments at FVOCI - net change in fair value		(1,740)	(8,447)	(886)	(7,803)
Deferred tax on remeasurement of retirement benefit obligation		(91)	785	-	-
		(1,506)	(10,465)	(886)	(7,803)
Items that are or may be reclassified to profit or loss					
Debt investments at FVOCI - net change in fair value		802	744	802	744
Debt investments at FVOCI - Impairment gain on debt investment derecognised		(1,452)	(1,384)	(1,452)	(1,384)
Debt investments at FVOCI - impairment		8,749	(19)	8,749	(19)
		8,099	(659)	8,099	(659)
Other comprehensive income for the period, net of tax		**6,593**	**(11,124)**	**7,213**	**(8,462)**
Total comprehensive income for the year		**(97,360)**	**(71,636)**	**3,983**	**3,382**
Earnings/ (deficit) per share (Rs.)	13	(0.37)	(0.21)	(0.01)	0.04

The Accounting Policies and Notes form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Notes	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
ASSETS					
Non-current assets					
Property, plant and equipment	14	2,815	3,806	-	-
Intangible assets	15	1,242	511	-	-
Right of use assets	16	7,433	-	-	-
Investments in subsidiary	17	-	-	53,897	53,897
Other financial assets	18	50,427	63,865	35,642	48,226
Deferred tax assets	19	639	16,729	1,458	539
Total non-current assets		62,556	84,911	90,997	102,662
Current assets					
Inventories	20	108,693	76,093	-	-
Trade and other receivables	21	393,263	449,315	20	20
Amounts due from related companies	22	71,205	66,778	86,744	65,523
Income tax recoverable		16,105	12,910	385	317
Cash and cash equivalents	23	8,024	9,739	1,814	7,305
Total current assets		597,290	614,835	88,963	73,165
Total assets		659,846	699,746	179,960	175,827
EQUITY AND LIABILITIES					
Equity					
Stated capital	24	83,000	83,000	83,000	83,000
Reserves	25	19,351	12,993	19,883	12,670
Retained earnings/ (accumulated losses)		(78,841)	24,878	74,283	77,513
Total equity		23,510	120,871	177,166	173,183
Non-current liabilities					
Interest bearing borrowings	26	37,500	-	-	-
Lease liabilities	27	4,996	-	-	
Retirement benefit obligations	28	10,780	8,990	-	-
Total non-current liabilities		53,276	8,990	-	-
Current liabilities					
Trade and other payables	29	353,483	134,252	2,794	2,644
Interest bearing borrowings	26	185,005	383,090	-	-
Lease liabilities	27	2,170	-	-	-
Amounts due to related companies	30	7,710	7,134	-	-
Bank overdrafts	23	34,692	45,409	-	-
Total current liabilities		583,060	569,885	2,794	2,645
Total equity and liabilities		659,846	699,746	179,960	175,827

The accounting policies and notes form an integral part of these financial statements.

I certify that the financial statements of the Company have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

N. Musheen - Senior 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 of Muller & Phipps (Ceylon) PLC.

R.N. Bopearatchy - Director

R.C.A. Welikala - Director

30th November 2020
Colombo

Statement of Changes in Equity

	Stated capital Rs. 000	General reserve Rs. 000	Capital reserve Rs. 000	Fair value reserve Rs. 000	Retained earnings Rs. 000	Total Rs. 000
GROUP						
Balance as at 1st April 2018	**83,000**	**5,000**	**401**	**10,620**	**97,834**	**196,855**
Adjustment on initial application of SLFRS 09, net of tax				6,077	(10,426)	(4,348)
Balance as at 1st April 2018	**83,000**	**5,000**	**401**	**16,697**	**87,408**	**192,507**
Total comprehensive income for the year						
Profit/(loss) for the year	-	-	-	-	(60,512)	(60,512)
Other comprehensive income for the year	-	-	-	(9,106)	(2,018)	(11,124)
Total comprehensive income for the year	**-**	**-**	**-**	**(9,106)**	**(62,530)**	**(71,636)**
Balance as at 1st April 2019	**83,000**	**5,000**	**401**	**7,591**	**24,878**	**120,870**
Total comprehensive income for the year						
Profit/(loss) for the year	-		-		(103,953)	(103,953)
Other comprehensive income for the year	-	-	-	6,359	234	6,593
Total comprehensive income for the year	**-**	**-**	**-**	**6,359**	**(103,719)**	**(97,360)**
Balance as at 31st March 2020	**83,000**	**5,000**	**401**	**13,950**	**(78,841)**	**23,510**

COMPANY

	Stated capital Rs. 000	General reserve Rs. 000	Capital reserve Rs. 000	Fair value reserve Rs. 000	Retained earnings Rs. 000	Total Rs. 000
Balance as at 1st April 2018	**83,000**	**5,000**	**401**	**9,654**	**72,167**	**170,222**
Adjustment on initial application of SLFRS 09, net of tax				6,077	(6,498)	(421)
Balance as at 1st April 2019	**83,000**	**5,000**	**401**	**15,731**	**65,669**	**169,801**
Total comprehensive income for the year						
Profit/(loss) for the year	-	-	-	-	11,844	11,844
Other comprehensive income for the year	-	-	-	(8,462)	-	(8,462)
Total comprehensive income for the year	**-**	**-**	**-**	**(8,462)**	**11,844**	**3,382**
Balance as at 1st April 2019	**83,000**	**5,000**	**401**	**7,269**	**77,513**	**173,183**
Total comprehensive income for the year						
Profit/(loss) for the year	-	-	-	-	(3,230)	(3,230)
Other comprehensive income for the year	-	-	-	7,213	-	7,213
Total comprehensive income for the year	**-**	**-**	**-**	**7,213**	**(3,230)**	**3,983**
Balance as at 31st March 2020	**83,000**	**5,000**	**401**	**14,482**	**74,283**	**177,166**

The accounting policies and notes form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statement of Cash Flows

For the year ended 31st March,	Note	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Cash Flows from Operating Activities					
(Loss)/profit before taxation		(87,954)	(73,451)	(4,149)	11,313
Adjustments for:					
Depreciation on property, plant & equipment		1,346	1,369	-	-
Amortisation of intangible assets		286	144	-	-
Amortisation on right of use building		2,478	-	-	-
Provision for retirement benefit obligation	11.1	2,378	4,720	-	-
Interest expense		44,046	44,585	-	-
Interest income		(8,250)	(10,327)	(8,538)	(11,289)
Inventories provision/written off		15,752	12,481	-	-
Loss on disposal of property, plant & equipment		37	-	-	-
Impairment provision - trade and other receivables		(547)	(3,089)	-	-
Impairment provision - other financial assets		10,134	(692)	10,581	(905)
Dividend income		(234)	(766)	(234)	(766)
Operating profit/(loss) before working capital changes		**(20,528)**	**(25,026)**	**(2,340)**	**(1,647)**
(Increase)/ decrease in inventories		(48,352)	14,799	-	-
(Increase)/ decrease in trade & other receivables		56,599	(40,532)	-	-
(Increase)/ decrease in amount due from related companies		(1,354)	(2,896)	1,433	-
Increase/ (decrease) in amounts due to related companies		576	1,196	-	-
Increase/ (decrease) in trade & other payables		220,348	414	150	43
Cash generated from/ (usesd in) operations		**207,289**	**(52,045)**	**(757)**	**(1,604)**
WHT paid		(6)	(535)	-	(525)
Interest paid		(44,112)	(44,585)	-	-
Retiring gratuity paid		(264)	(4,428)	-	-
Income tax paid		-	(652)	-	(325)
ESC paid		(3,121)	(4,950)	-	-
Net cash inflows/(outflows) from operating activities		**159,786**	**(107,196)**	**(757)**	**(2,454)**
Cash flows from investing activities					
Purchase of property, plant & equipment		(435)	(817)	-	-
Purchase of intangible assets		(1,017)	-	-	-
Proceeds from disposal of property, plant & equipment.		43	-	-	-
Dividend income received		234	766	234	766
Interest income received		6,533	6,600	7,629	7,460
Investments in subsidiary		-	-	-	(15,000)
Recovery of loan granted to related companies		8,240	-	(12,597)	15,000
Net cash inflows/ (outflows) from investing activities		**13,598**	**6,549**	**4,734**	**8,226**
Cash flows from financing activities					
Long term loan obtained during the year		90,000	-	-	-
Repayment of long term loan		(5,963)	-	-	-
Repayment of short term loan		(244,622)	114,315	-	-
Lease instalments payments		(3,797)	-	-	-
Net cash inflows/ (outflows) from financing activities		**(164,382)**	**114,315**	**-**	**-**
Increase/(decrease) in cash & cash equivalent		**9,002**	**13,668**	**(5,491)**	**5,772**
Cash & cash equivalents at the beginning of the year		**(35,670)**	**(49,338)**	**7,305**	**1,533**
Cash & cash equivalents at the end of the year	23	**(26,668)**	**(35,670)**	**1,814**	**7,305**

The Accounting Policies and Notes form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Accounting Policies

1. REPORTING ENTITY

1.1 Domicile and legal form

Muller and Phipps (Ceylon) PLC is incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principle place of business is situated at No. 98, Sri Sangaraja Mawatha, Colombo 10.

The consolidated financial statements of the Company as at and for the year ended 31st March 2020 comprise of the financial statements of the Company and its subsidiary (together referred to as the “Group”).

The Company serves as the holding company of its wholly owned subsidiary; Pettah Pharmacy (Private) Limited which is serving as an agent representative in Sri Lanka for foreign pharmaceutical companies and operates in importing, marketing and distribution of pharmaceuticals.

1.2 Parent enterprise

The Company’s immediate and ultimate parent companies are E.B. Creasy & Company PLC and The Colombo Fort Land and Building PLC respectively.

1.3 Responsibility of those charged with governance

The Board of Directors is responsible for the preparation and presentation of these financial statements of the Group as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards (SLFRSs and LKASs).

The Consolidated financial statements were authorised for issue by the Board of Directors on 30th November 2020.

2 BASIS OF ACCOUNTING

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company comprises the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with the accounting policies and notes to the financial statements. These financial statements have been prepared in accordance with Sri Lanka accounting standards (SLFRSs/ LKASs) as promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of measurement

These financial statements of the Group and the Company been prepared on the historical cost basis except for the following items in the statement of financial position.

Note 6.3 – Retirement benefit obligations which are measured at the present value of the defined benefit plans.

Note 6.11 – Equity and corporate debt securities measured at FVOCI

2.3 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and being satisfied that it has the resources to continue in business for the foreseeable future, confirm that they do not intend either to liquidate or cease operations of the Subsidiary. (Refer note no. 33)

2.4 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.

2.5 Off setting

Assets and Liabilities, and income and expenses, are not offset unless required or permitted by SLFRS's/ LKAS's.

3. Functional and presentation currency

The consolidated financial statements are presented in Sri Lankan Rupees. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand, unless otherwise indicated.

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

No significant judgements were made in applying accounting policies in these financial statements.

A. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31st March 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note 6.3 – Measurement of defined benefit obligations: key actuarial assumptions;

Note 6.7.2 – Recognition of deferred tax asset: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;

Note 6.12 – Measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted average loss rate and recoverable rate.

4.1 Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value of an asset or liability, the group uses observable market data as far as possible.

Fair Values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows,

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices

- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or

- In the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Further information about the assumptions made in measuring fair values is included in the Note 6.11; financial instruments.

5 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially applied SLFRS 16 with effect from 1st April 2019. A number of other new standards are effective from 1st April 2019, but they do not have a material effect on the Group's financial statements. The Group applied SLFRS 16, Lease for the first time in 1st April 2019 and therefore no transitional provision is applicable. The related accounting policies are given in the Note 6.9.

6 Summary of significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except if mentioned otherwise.

6.1 Basis of consolidation

6.1.1 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

6.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statement of subsidiaries are included in the consolidated financial statement from the date that control commences until the date that control ceases.

6.1.3 Non-controlling interest

The total profit and loss for the year of the Company and its subsidiaries included in consolidation are shown in the consolidated statement of profit or loss with the proportion of profit and loss after taxation pertaining to minority shareholders of subsidiaries being deducted as "non-controlling interest". All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated statement of financial position. The interest of minority shareholders of subsidiaries in the fair value of net assets of the Group are indicated separately in the consolidated statement of financial position under the heading "non-controlling Interest".

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners, in their capacity as owners. Adjustments to non-controlling interest is based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

6.1.4 Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity. Any resulting gain or loss is recognised in profit or loss.

6.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

6.2 Foreign currency

6.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated in to the functional currency at the exchange rate on the date the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

6.3 Employee benefits

6.3.1 Short-term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

6.3.2 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligation for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

a) Employees' Provident Fund

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the Employees' Provident Fund.

b) Employees' Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

6.3.3 Defined benefit plan – retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated annually using the Projected Unit Credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Provision has been made for retiring gratuities from the first year of service for all employees in conformity with LKAS 19 - Employee Benefits. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of 5 years of continued service with the Company.

6.4 Revenue from contracts with customers

Performance obligation and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods to a customer and adopts following policies.

(A) Sale of goods

Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time.

(B) Rendering of services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

6.5 Expenditure recognition

All expenditure incurred in running the business and in maintaining the capital assets in a state of efficiency have been charged to profit or loss for the year. Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

6.6 Finance costs

Finance costs comprise of interest expenses on borrowings, impairment losses recognised on trade receivables and amounts due to related companies and impairment losses recognised on investment in debt securities measured at FVOCI.

Interest expense is recognised using the effective interest method.

The 'effective interest rate' is the rate exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- The gross carrying amount of the financial assets ; or
- The amortised cost of the financial liability.

In calculating interest expenses, the effective interest rate is applied to the amortised cost of the liability.

6.7 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

6.7.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of tax payable and receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

6.7.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for;

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

Deferred tax assets are recognised for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which can be used. Future taxable profits are determined based on the relevant taxable temporary differences. If the amount of taxable temporary difference is insufficient to recognise the deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will realised; such deductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

6.8 Property, plant & equipment

6.8.1 Freehold assets

A. Recognition and measurement

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset for its intended use and restoring the site on which they are located and capitalised borrowing cost. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income/other expenses" in profit or loss.

B. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

C. Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset.

Depreciation of an asset 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 derecognised.

The estimated useful lives for the current and comparative years are as follows:

Motor vehicles	03 years
Computers	05 years
Furniture and fittings	08 years
Office equipment	06 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

6.9 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1st April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of rent on storage facilities, machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6.10 Intangible assets

6.10.1 Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

6.10.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

6.10.3 Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative years are as follows:

Computer software 5 years

6.11 Financial instruments

6.11.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6.11.2 Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permit or requires prepayment at an annual amount that substantially represent the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL. These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss

Financial liabilities – classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held- for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

6.11.3 De-recognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial:

asset expire, or it transfers the rights to receive the, contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit it or loss

6.11.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

6.12 Impairment

A.Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which is measured at 12-months ECLs:

- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables is always measured at an amount equals to lifetime ECLs.

When determining whether the credit risk of a financial has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

B. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventory and deferred tax assets) to determine whether there is any indication of impairment. If any such indicator exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds it recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.13 Inventories

Inventories are measured at the lower of cost and net realisable value, after making due allowances for obsolete and slow-moving items. The cost of inventories is determined on weighted average basis and includes all the expenditure incurred in bringing the inventories to a saleable condition. In the case of finished products, cost includes all direct expenditures and production overheads based on a normal level of activity. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

6.14 Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

6.15 Statement of cash flows

The Statement of Cash Flows has been prepared using the 'Indirect method'. Interest paid are classified as operating cash flows, interest and dividends received are classified as investing cash flows for the purpose of presentation of the Statement of Cash Flow.

6.16 Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating decisions of the other, irrespective of whether a price is being charged.

6.17 Comparative figures

Where necessary, the comparative figures have been reclassified to conform to the current year's presentation.

6.18 Events occurring after reporting period

All material post Balance Sheet events have been considered and where appropriate adjustments to or disclosures have been made in the respective notes to the financial statements.

6.19 Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

6.20 Capital commitments and contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control. All material capital commitments and contingencies of the Group are disclosed in the Notes to the financial statements.

7 New Accounting Standards issued but not yet effective

Several amendments to Accounting Standards are effective for annual financial periods beginning on or after 1st January 2020, and earlier application is permitted. However, the Group has not early adopted the following amendments to Accounting Standards in preparing these Financial Statements as they are not expected to have a significant impact on the Group's Financial Statements.

Amendments to references to conceptual framework in SLFRS Standards

CA Sri Lanka has issued a revised Conceptual Framework which will be used in standard setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity by revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current Accounting Standards. However, if the Group rely on the framework in determining certain accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from 1st April 2020. The Group will need to consider whether those accounting policies are still appropriate under the revised Framework.

Definition of Material (Amendments to LKAS 1 and LKAS 8)

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the term 'definition'. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity'. The Group shall apply those amendments prospectively for annual financial periods beginning on or after 1st January 2020.

Definition of a Business (Amendments to SLFRS 3)

The amendments, issued in October 2018, clarify the definition of a business and may reduce the number of acquisitions considered to be business combinations. The amendments include:

- an optional test (referred to as the 'concentration test') to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; and
- an assessment focused on whether the set of assets and activities includes a substantive process.

The amendments are effective for annual periods beginning on or after 1st January 2020. Early adoption is permitted.

For the year ended 31st March	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
8. REVENUE				
Pharmaceuticals	847,098	988,647	-	-
Management Fee	-	-	2,000	2,000
	847,098	**988,647**	**2,000**	**2,000**

Muller and Phipps (Ceylon) PLC suspended its pharmaceutical operations since April 1993 and continues with its investment holding activities. Revenue for the Group represents the revenue from pharmaceutical operations of Pettah Pharmacy (Pvt) Ltd.

For the year ended 31st March	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
9. OTHER OPERATING INCOME/EXPENSES				
9.1 Other operating income				
Sundry income	4	4	-	-
Commission income	2,483	4,675	-	-
	2,487	4,679	**-**	-
9.2 Other operating expenses				
Bank charges	966	733	-	-
Penalty & surcharge	15,906	1,920	-	-
Provision for inventories	15,522	-	-	-
Inventories written off	-	12,481	-	-
Loss on disposal of Property, Plant & Equipment	37	-	-	-
	32,431	15,134	**-**	-

For the year ended 31st March	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
10. NET FINANCE INCOME/ (EXPENSE)				
Interest income under the effective interest method on:				
- Amounts due from related companies	4,002	4,166	4,531	5,484
- Call deposits	139	235	-	-
- Corporate debt securities - at FVOCI	4,007	5,805	4,007	5,805
- Staff loans	102	121	-	-
- Impairment gain on debt investment derecognition	1,452	1,384	1,452	1,384
Total interest income arising from financial assets measured at amortised cost or FVOCI	**9,702**	**11,711**	**9,990**	**12,673**
Dividend income;				
- Equity securities - at FVOCI	234	766	234	766
Finance income - other	**234**	**766**	**234**	**766**
Total finance income	**9,936**	**12,477**	**10,224**	**13,439**
Finance costs - impairment				
- Impairment on debt securities	(8,749)	19	(8,749)	19
- Impairment on amounts due from related companies	(2,837)	(711)	(3,284)	(498)
	(11,586)	**(692)**	**(12,033)**	**(479)**
Interest expense on financial liabilities measured at amortised cost				
- Short term borrowings	(33,149)	(35,419)	-	-
- Long term borrowings	(1,598)	-	-	-
- Interest on bank overdrafts	(7,734)	(9,166)	-	-
- Interest on Lease Liability	(1,052)	-	-	
- Net foreign exchange loss	(16,923)	(38,498)	-	-
- Interest on loan from related companies	(514)	-	-	-
Interest expense - other	(60,970)	(83,083)	-	-
Total finance expenses	**(72,556)**	**(83,775)**	**(12,033)**	**(479)**
Net finance income/(expense) recognised in profit or loss	**(62,620)**	**(71,298)**	**(1,809)**	**12,960**

11. PROFIT BEFORE TAXATION

This is stated after charging all expenses including the following;

For the year ended 31st March	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Director's emoluments	6,840	7,377	1,200	1,200
Auditor's remuneration - statutory audit	1,143	1,124	302	280
Non - audit services	76	73	76	73
Depreciation and amortisation	4,110	1,513	-	-
Rent expenses	14,182	14,074	-	-
Staff cost (Note 11.1)	54,133	74,031	-	-
11.1 Staff cost				
Staff remuneration	44,873	61,931	-	-
Defined benefit plan costs - Retiring gratuity	2,379	4,720	-	-
Defined contribution plan costs - EPF, ETF	6,881	7,380	-	-
Total staff cost	54,133	74,031	-	-
Number of employees at year end	83	84	-	-

12. INCOME TAX EXPENSE

12.1 Reconciliation accounting profit/(loss) to income tax expense

For the year ended 31st March	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Profit/ (loss) before income tax expense	(87,954)	(73,451)	(4,149)	11,313
Inter - company eliminations	-	965	-	-
	(87,954)	**(72,486)**	**(4,149)**	**11,313**
Non business income - gross	(234)	(766)	(234)	(766)
Aggregate disallowable expenses	101,301	44,690	10,581	-
Allowable expenses	(15,210)	(5,081)	-	(905)
Tax loss of subsidiary	8,295	43,285	-	-
Statutory income of the business	6,198	9,642	6,198	9,642
Tax loss claimed during the year (Note 12.2)	(6,198)	(9,642)	(6,198)	(9,642)
Taxable income	**-**	**-**	**-**	**-**
Income tax charged				
Income tax @ 28%	-	-	-	-
Under/(over) provision from previous year	-	335	-	8
Current tax expense	**-**	**335**	**-**	**8**
12.2 Reconciliation of tax loss				
Tax loss brought forward	133,977	100,339	82,796	92,438
Adjustment to tax loss brought forward	(906)	(5)	(910)	-
Tax loss during the year	8,295	43,285	-	-
Tax loss claimed during the year	(6,198)	(9,642)	(6,198)	(9,642)
Tax loss carried forward	**135,168**	**133,977**	**75,688**	**82,796**

12.3 Tax recognized on other comprehensive income actuarial gain/(losses) on retirement benefit obligations

For the year ended 31st March	Group					
	2020			2019		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Actuarial gain/(losses) on Retirement benefit obligation	325	(91)	234	(2,803)	785	(2,018)

12.4 In terms of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, Muller and Phipps (Ceylon) PLC and its subsidiary is liable to income tax at the rate of 28%.

For the year ended 31st March	Group		Company	
	2020 Rs. 000	2019 Rs. 000	2020 Rs. 000	2019 Rs. 000
Taxation on profit for the year	-	335	-	8
	-	**335**	**-**	**8**
Deferred tax (charge)/ reversal				
(Origination)/ reversal of temporary differences Note 19.1	15,999	(12,441)	(919)	-
Recognition of previously unrecognized deductible temporary differences	-	(833)	-	(539)
	15,999	(13,274)	(919)	(539)
	15,999	**(12,939)**	**(919)**	**(531)**

13. EARNINGS/ (DEFICIT) PER SHARE

The calculation of earnings/ (deficit) per share is based on the profit/ (loss) after tax attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

For the year ended 31st March	Group		Company	
	2020 Rs. 000	2019 Rs. 000	2020 Rs. 000	2019 Rs. 000
Profit/ (loss) after tax attributable to ordinary Shareholders (Rs.'000)	(103,953)	(60,512)	(3,230)	11,844
Weighted average number of ordinary shares in issue ('000)	283,000	283,000	283,000	283,000
Basic/diluted earnings/ (deficit) per share (Rs.)	(0.37)	(0.21)	(0.01)	0.04

14. PROPERTY, PLANT AND EQUIPMENT

14.1 Group

	Motor vehicles Rs. 000	Computers and software Rs. 000	Furniture and fittings Rs. 000	Office equipment Rs. 000	Total Rs. 000
Cost					
Balance at 1st April 2018	3,775	7,749	1,642	2,017	15,183
Additions	-	557	-	260	817
Balance at 31st March 2019	**3,775**	**8,306**	**1,642**	**2,277**	**16,000**
Balance as at 1st April 2019	3,775	8,306	1,642	2,277	16,000
Additions	-	-	435	-	435
Disposals	-	(314)	-	(371)	(685)
Balance at 31st March 2020	**3,775**	**7,992**	**2,077**	**1,906**	**15,750**
Accumulated depreciation					
Balance at 1st April 2018	3,386	5,357	1,007	1,075	10,825
Depreciation	194	835	106	234	1,369
Disposals	-	-	-	-	-
Balance at 31st March 2018	**3,580**	**6,192**	**1,113**	**1,309**	**12,194**
Balance at 1st April 2019	3,580	6,192	1,113	1,309	12,194
Depreciation	194	811	110	231	1,346
Disposals	-	(314)	-	(291)	(605)
Balance as at 31st March 2019	**3,774**	**6,689**	**1,223**	**1,249**	**12,935**
Carrying amounts					
At 1st April 2018	389	2,392	635	942	4,358
At 31st March 2019	195	2,114	529	968	3,806
At 31st March 2020	**1**	**1,303**	**854**	**657**	**2,815**

Property, plant and equipment included fully depreciated assets that are still in use having a gross amount of Rs. 11.4 million as at 31st March 2020 (2018/19 - Rs. 10.3 million).

14.2 Company

	Motor vehicles Rs. 000	Computers and software Rs. '000	Furniture and fittings Rs. '000	Office equipment Rs. '000	Total Rs. 000
Cost					
Balance at 1st April 2018	300	814	378	54	1,546
Additions	-	-	-	-	-
Balance at 31st March 2019	**300**	**814**	**378**	**54**	**1,546**
Balance at 1st April 2019	300	814	378	54	1,546
Additions	-	-	-	-	-
Balance at 31st March 2020	**300**	**814**	**378**	**54**	**1,546**
Accumulated depreciation					
Balance at 1st April 2018	300	814	378	54	1,546
Depreciation	-	-	-	-	-
Balance at 31st March 2019	**300**	**814**	**378**	**54**	**1,546**
Balance at 1st April 2019	300	814	378	54	1,546
Depreciation	-	-	-	-	-
Balance at 31st March 2020	**300**	**814**	**378**	**54**	**1,546**
At 1st April 2018	-	-	-	-	-
At 31st March 2019	-	-	-	-	-
At 31st March 2020	-	-	-	-	-

Property, plant and equipment included fully depreciated assets that are still in use having a gross amount of Rs. 1.5 Mn at 31st March 2020 (2018/19 - Rs. 1.5 MN).

15. INTANGIBLE ASSETS

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Computer Software				
Cost				
Balance at 1st April 2019	1,407	1,407	-	-
Additions	1,017	-	-	-
Balance at 31st March 2020	**2,424**	**1,407**	**-**	**-**
Amortization				
Balance at 1st April 2019	896	752	-	-
Amortisation	286	144	-	-
Balance at 31st March 2020	**1,182**	**896**	**-**	**-**
Carrying Amount				
At 31st March 2020	**1,242**	**511**	**-**	**-**

16. RIGHT OF USE ASSETS

16.1 Movement during the year

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cost				
Balance at 1st April 2019	-	-	-	-
Addition during the year	9,911	-	-	-
Balance at 31st March 2020	**9,911**	**-**	**-**	**-**
Amortization				
Balance at 1st April 2019	-	-	-	-
Charge for the year	2,478	-	-	-
Balance at 31st March 2020	**2,478**	**-**	**-**	**-**
Carrying Amount				
At 31st March 2020	**7,433**	**-**	**-**	**-**

The building space on lease is for the office premises which has a duration of 2 years. It also includes an option to renew the lease after the expiration of the original 2 years for a further 2 more years after mutually agreeing to terms of the lease contract.

16.2 Amounts recognised in profit or loss

`

For the year ended 31st March	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Amortisation expense of right-of-use assets (note 16.1)	2,478	-	-	-
Interest on lease liabilities	(1,052)	-	-	-

17. INVESTMENTS IN SUBSIDIARY

	Group Principle place of Business/ Country of incorporation	Company Number of Shares Shares	Company Holding	Group Holding	2020 Rs. 000	2019 Rs. 000
17.1 Investments in subsidiary						
Pettah Pharmacy (Private) Limited	Sri Lanka	2,033,618	100%	100%	53,897	53,897
					53,897	**53,897**

Principal activity

Pettah Pharmacy (Private) Limited imports and sells drugs and pharmaceuticals.

The subsidiary company, Pettah Pharmacy (Private) Limited, had recorded continuous losses and the net assets are less than half of the stated capital as at the reporting date. This is an indicator of impairment in the investment of Pettah Pharmacy (Private) Limited. Based on these indicators, the Company has performed an impairment assessment as per LKAS 36. The recoverable amount of the investment in the subsidiary is based on the value-in-use computations. Cash flow projections based on financial budgets for the next five years have been used for the calculation of value-in-use.

Having evaluated the business continuity plans and the cash flows of the subsidiary, the Company determined that no impairment provision is required for the carrying value of investment.

The key assumptions used are given below.

Revenue increase – Projected increase based on the budget.

Discount Rate – Weighted average cost of capital rate

Growth Rate – Based on the business plan

18. FINANCIAL ASSETS

		Group		Company	
		2020	2019	2020	2019
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
Non-current investments					
Equity securities - at FVOCI	18.1	25,978	27,718	11,193	12,079
Corporate debt securities - at FVOCI	18.2	24,449	36,147	24,449	36,147
		50,427	**63,865**	**35,642**	**48,226**

18.1 Equity securities

	Group			Company		
		2020	2019		2020	2019
	Cost	Value	Value	Cost	Value	Value
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Hemas Holdings PLC (161,053 Shares)	8,152	11,193	12,079	8,152	11,193	12,079
Dutch Dairy International (Private) Limited	5,400	5,400	5,400	5,400	5,400	5,400
Beruwela Resorts PLC (30,000 shares)	45	18	18	-	-	-
Colombo Fort Hotels Limited						
(1,275,200 Shares)	31,880	14,767	15,621	-	-	-
Provision for fall in value of investment	-	(5,400)	(5,400)	-	(5,400)	(5,400)
	45,477	**25,978**	**27,718**	**13,552**	**11,193**	**12,079**

1) As at 1st April 2018, the Group classified the investments shown above as equity securities at FVOCI as these securities represent investments that the Group intends to hold for the long term strategic purposes.

2) On 31st December 2019, Colombo Fort Hotel Limited consolidated each 25 shares of its existing shares in to 1 share. As a result of that the number of shares invested in Colombo Fort Hotel Limited by Pettah Pharmacy (Private) Limited reduced from 31,880,000 to 1,275,200.

3) Due to the COVID-19 outbreak and the closure of the exchange, the fair value disclosed as at 31st March 2020 is based on the closing trading prices that existed as at 28th February 2020 as recommended in the Guidance Notes on Accounting Considerations on the COVID-19 outbreak, issued by the Institute of Chartered Accountants of Sri Lanka.

4) No strategic investments were disposed during 2019/20, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

18.2 Corporate debt securities

	Group			Company		
		2020	2019		2020	2019
	Cost	Value	Value	Cost	Value	Value
		Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Kotagala Plantations PLC (Note 18.2.1)	25,000	24,449	36,147	25,000	24,449	36,147
	25,000	**24,449**	**36,147**	**25,000**	**24,449**	**36,147**

18.2.1 During the year 2014/2015, the Company subscribed to 500,000 rated secured listed redeemable debentures of Kotagala Plantations PLC with a par value of Rs. 100 each. Details of debentures are as follows.

Category	No. of debentures	Terms of debentures	Interest rate (per annum payable semi annually)	Maturity
Type A	125,000	04 Years	14.25% (AER of 14.76%)	26 May 2018
Type B	125,000	05 Years	14.50% (AER of 15.03%)	26 May 2019
Type C	125,000	06 Years	14.75% (AER of 15.29%)	26 May 2020
Type D	125,000	07 Years	15.00% (AER of 15.56%)	26 May 2021

19. DEFERRED TAX ASSETS

19.1 Deferred tax expense

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Balance at the beginning of the year	16,729	2,671	539	-
Amount recognised/(reversed) during the year - profit or loss	(15,999)	13,273	919	539
Amount recognised/(reversed) during the year - other comprehensive Income	(91)	785	-	-
Balance at the end of the year	**639**	16,729	**1,458**	539

19.2 Composition of deferred tax assets and liabilities

	2020		2019	
	Temporary difference Rs. 000	Tax effect Rs. 000	Temporary difference Rs. 000	Tax effect Rs. 000
Company				
On provision for other receivables	886	248	886	248
On provision for related companies receivables	4,323	1,210	1,039	291
	5,209	**1,458**	1,925	539
Group				
On property, plant and equipment	(2,329)	(652)	(3,399)	(952)
On carried forward tax losses	-	-	51,181	14,331
On retirement benefit obligation	-	-	8,990	2,517
On provision for trade and other receivables	886	248	886	248
On provision for related companies receivable impairment	3,994	1,118	2,090	585
On right of use assets	(267)	(75)	-	-
	2,284	**639**	59,748	16,729

19.3 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items.

	Company			
	2020		2019	
	Temporary difference Rs. 000	Tax effect Rs. 000	Temporary difference Rs. 000	Tax effect Rs. 000
On carried forward tax losses	75,688	21,193	82,796	23,183
Unrecognised deferred tax assets	**75,688**	**21,193**	82,796	23,183

	Group			
	2020		2019	
	Temporary difference Rs. 000	Tax effect Rs. 000	Temporary difference Rs. 000	Tax effect Rs. 000
On carried forward tax losses	135,168	37,847	82,796	23,183
On retirement benefit obligation	10,780	3,018	-	-
On provision for trade and other receivables	386	108	-	-
On provision for inventory	15,752	4,411	-	-
Unrecognised deferred tax assets	**162,086**	**45,384**	**82,796**	**23,183**

Deferred tax has been computed at 28% for the Company and Group, as per the provisions of the Inland Revenue Act No 24 of 2017, which is effective from 01st April 2018.

20. INVENTORIES

	Group		Company	
	2020 Rs. 000	2019 Rs. 000	2020 Rs. 000	2019 Rs. 000
Trading Stock	124,445	76,093	-	-
Less: Provision for inventories	(15,752)	-	-	-
	108,693	**76,093**	**-**	**-**

Inventories pledged as securities in obtaining loan are disclosed in Note 26.4

In 2019/2020, inventories of Rs. 706,615,364/- (2018/19: Rs. 833,425,631/-) were recognised as an expense during the year and included in ‘cost of sales’.

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Trade receivables	281,397	309,508	-	-
Impairment loss for trade receivables	(386)	(933)	-	-
	281,011	308,575	-	-
Other receivables, deposits and prepayments (Note 21.1)	113,138	141,626	906	906
Impairment loss for other receivables	(886)	(886)	(886)	(886)
	393,263	449,315	**20**	20

21.1 Other receivables, deposits and prepayments

	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Prepayments	174	520	-	-
Advances - non-financial assets	581	3,635	-	-
Reimbursements due from principals	110,877	134,855	-	-
Deposits	906	1,312	906	906
Staff loans (Note 21.1.1)	544	1,300	-	-
Other receivables	56	4	-	-
	113,138	141,626	**906**	906

Reimbursements due from principals are, selling and distribution costs to be reimbursed by Janssen and Macleod's to Pettah Pharmacy (Private) Limited.

21.1.1 Staff loans

	Group	
	2020	2019
	Rs. 000	Rs. 000
Balance brought forward	1,300	118
Loans granted during the year	-	2,349
Recoveries during the year	(756)	(1,167)
Balance carried forward	**544**	1,300

22. AMOUNTS DUE FROM RELATED COMPANIES

		Group		Company	
		2020	2019	2020	2019
		Rs. 000	Rs. 000	Rs. 000	Rs. 000
22.1	**Parent**				
	E.B. Creasy & Company PLC	38,838	49,369	38,838	49,369
	Less : Impairement provision	(383)	(438)	(383)	(438)
		38,455	48,931	**38,455**	48,931
22.2	**Subsidiary**				
	Pettah Pharmacy (Private) Limited	-	-	21,738	3,209
	Less : Impairement provision	-	-	(364)	(42)
		-	-	**21,374**	3,167
22.3	**Other**				
	York Hotel Management Services Limited	120	120	120	120
	Less : Impairement provision	(120)	(120)	(120)	(120)
	Darley Butler & Company Ltd	5,870	3,582	-	-
	Less : Impairement provision	(35)	(29)	-	-
	Ceyflex Rubber Ltd	-	1,000	-	-
	Less : Impairement provision	-	(131)	-	-
	Kotagala Plantations PLC	30,371	13,864	30,371	13,864
	Less : Impairement provision	(3,456)	(439)	(3,456)	(439)
		32,750	17,847	**26,915**	13,425
		71,205	66,778	**86,744**	65,523

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Cash in hand	99	99	-	-
Bank balances	7,925	9,640	1,814	7,305
Cash and cash equivalents in the statement of financial position	**8,024**	9,739	**1,814**	7,305
Bank overdrafts repayable on demand and used for cash management purposes	(34,692)	(45,409)	-	-
Cash and cash equivalent in the statement of cash flows	**(26,668)**	(35,670)	**1,814**	7,305

24. STATED CAPITAL

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Issued and fully paid No of shares ('000)				
Ordinary shares				
At the beginning of the year	283,000	283,000	283,000	283,000
At the end of the year	**283,000**	**283,000**	**283,000**	**283,000**
Value of ordinary shares				
At the beginning of the year	83,000	83,000	83,000	83,000
At the end of the year	**83,000**	83,000	**83,000**	83,000

All ordinary shares rank equally with regard to the Company's residual assets.

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

25. RESERVES

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Capital reserves	401	401	401	401
Revenue reserves				
General reserves (Note 25.1)	5,000	5,000	5,000	5,000
Fair value reserves (Note 25.2)	13,950	7,591	14,482	7,269
	19,351	12,992	**19,883**	12,670

25.1 General reserve is the reserve set aside for the general purpose.

25.2 The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI, and
- the cumulative net change in fair value of debt securities at FVOCI, and net change in impairment provision until the assets are derecognised or reclassified.

26. INTEREST BEARING BORROWINGS - BANK

26.1. Amount payable after one year

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Long term loans (26.3)	37,500	-	-	-
	37,500	-	-	-

26.2. Amount payable within one year

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Long term loans (26.3)	46,537	-	-	-
Trust receipt loans	138,468	383,090	-	-
	185,005	383,090	-	-

Trust receipt loans and bills payable to banks by the subsidiary; Pettah Pharmacy (Private) Limited, is secured over the stocks of pharmaceuticals and book debts.

26.3 Long term loan

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
At the beginning of the Year	-	-	-	-
Obtained during the Year	90,000	-	-	-
Repayment during the Year	(5,963)	-	-	-
Balance at the end of the Year	84,037	-	-	-
Loan repayable within one year	46,537	-	-	-
Loan repayable after one year	37,500	-	-	-

26.4 Terms and repayment schedule

Lender	Facility	Security	Terms of repayment	Interest Rate	Outstanding as at 31.03.2020	Outstanding as at 31.03.2019
Term Loans					**Rs. 000**	**Rs. 000**
Hatton National Bank PLC	Term Loan Facility of Rs. 90Mn	Letter of Awareness from Muller and Phipps Ceylon PLC	To be repaid in 24 equal Monthly instalments of Rs. 3.75 Mn plus the Interest.	AWPLR + 1.5% (Monthly review)	84,037	-
Trust Receipts Loans						
Hatton National Bank PLC	Revolving Trust Receipt Loan of Rs.300 Mn	Primary Floating Mortgage bond for Rs. 450Mn over stock of pharmaceuticals and an assignment of book debts.	Each loan should be repaid in a maximum period of 90days	AWPLR + 1.25% (weekly review)	47,799	311,537
National Development Bank PLC	Revolving Trust Receipt Loan of Rs.100 Mn	Primary Floating Mortgage bond for Rs. 160Mn over stock and an assignment of book debts.	Each loan should be repaid in a maximum period of 120 days	Fixed - 15.5% p.a	42,042	7,413
Union Bank of Colombo PLC	Revolving Trust Receipt Loan of Rs. 50Mn	Primary Floating Mortgage Bond for Rs. 50.0Mn over stocks and assignment over book debts.	Out of own cashflows	AWPLR + 2% (quarter review)	48,627	64,140
					138,468	**383,090**

27. LEASES LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
At the beginning of the Year	-	-	-	-
Recognition of lease liabilities	9,911	-	-	-
Repayment during the Year	(3,797)	-	-	-
Interest expenses charged to income statement	1,052	-	-	-
Balance at the end of the Year	**7,166**	-	-	-
Leases liabilities payable within one year	2,170	-	-	-
Leases liabilities payable after one year	4,996	-	-	-

28. RETIREMENT BENEFIT OBLIGATION

	Group	
	2020	2019
	Rs. 000	Rs. 000
Present value of the unfunded retirement benefit obligation	10,780	8,990
	10,780	**8,990**

28.1 Retirement benefit obligation

At the beginning of the Year	8,990	5,895
Current service cost	1,503	3,675
Interest cost	876	1,045
Re-measurement of retirement benefit obligation	(325)	2,803
	11,044	13,418
Benefits paid	(264)	(4,428)
At the end of the year	**10,780**	8,990

28.2 Expenses recognised in the statement of profit or loss

	Group 2020 Rs. 000	Group 2019 Rs. 000
Current service cost	1,503	3,675
Interest cost	876	1,045
	2,379	4,720

28.3 Re-measurement of retirement benefit obligation recognised in other comprehensive income

	Group 2020 Rs. 000	Group 2019 Rs. 000
Re-measurement of retirement benefit obligation	(325)	2,803
	(325)	2,803

28.4 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined obligation by the amounts as shown below.

	Group 2020 Rs. 000
Effect on the defined benefit obligation liability	
Increase by one percentage point in discount rate	(532)
Decrease by one percentage point in discount rate	864
Increase by one percentage point in salary increment rate	857
Decrease by one percentage point in salary increment rate	(538)

28.5 The key assumptions

The subsidiary; Pettah Pharmacy (Private) Limited apply Projected Unit Credit Method to make a reliable estimate of the Obligation in order to determine the present value of the retirement benefit obligation. The liability is not externally funded. The subsidiary use an internally developed method to measure retirement benefit obligation. The key assumptions were made in arriving at the retirement benefit obligation as at 31st March 2020 are stated below:

	2020	2019
Discount Rate	**10%**	11.5%
Salary Increment Rate	**10%**	10%
Retirement Age	**55 Years**	55 Years
Staff Turnover Ratio	**10%**	17%

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 Rs. 000	**2019 Rs. 000**	**2020 Rs. 000**	**2019 Rs. 000**
Bills payable	345,102	121,927	-	-
Accrued expenses	6,260	10,124	932	781
Dividends payable	1,862	1,863	1,862	1,863
Other payables	259	338	-	-
	353,483	**134,252**	**2,794**	**2,644**

30. AMOUNTS DUE TO RELATED COMPANIES

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
E.B Creasy & Company PLC	3,648	6,953	-	-
Darley Butler & Company Limited	3,416	-	-	-
E.B Creasy Logistics Limited	646	181	-	-
	7,710	7,134	-	-

31. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

31.1 Fair value measurement

31.1.1 Determination of Fair Value Hierarchy

The Group and the Company use the following hierarchy to determine and disclose the fair value of financial instruments by valuation techniques.

Level 01: Quoted (unadjusted) prices in active market for identical assets or liabilities.

Level 02: Other techniques for which all inputs with significant effect on the recorded fair values are observable either directly or indirectly.

Level 03: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

31.1.2 Transfer between Levels of Fair Value Hierarchy

There were no transfer between Level 1,2,3 during the year.

31.1.3 Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group

At 31st March 2020 In Rs.000'	Financial assets measured at amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity securities - quoted	-	11,211	-	11,211	11,211	-	-	11,211
Equity securities - unquoted	-	14,767	-	14,767	-	-	14,767	14,767
Debt securities	-	24,449	-	24,449	-	24,449	-	24,449
	-	**50,427**	**-**	**50,427**	**11,211**	24,449	14,767	**50,427**
Financial assets not measured at fair value								
Trade and other receivables **	392,507	-	-	392,507	-	-	-	-
Amounts due from related companies	71,205	-	-	71,205	-	-	-	-
Cash and cash equivalents	8,024	-	-	8,024	-	-	-	-
	471,736	**-**	**-**	**471,736**				
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	347,957	347,957	-	-	-	-
Interest bearing borrowings	-	-	222,505	222,505	-	-	-	-
Lease liabilities			7,166	7,166	-	-	-	-
Amounts due to related companies	-	-	7,710	7,710	-	-	-	-
Bank overdrafts	-	-	34,692	34,692	-	-	-	-
	-	**-**	**620,030**	**620,030**	**-**	**-**	**-**	**-**

** Trade and other receivables that are not financial assets (Prepayments; Rs. 174,283/- advances; Rs. 581,000/-) are not included.

* Trade and other payables that are not financial liabilities(Statutory tax liabilities; Rs. 3,512,679/-, Accrued expenses Rs.2,013,813/-) are not included.

Group

At 31st March 2019 In Rs. 000	Financial assets measured at amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity securities - quoted	-	12,097	-	12,097	12,097	-	-	12,097
Equity securities - unquoted	-	15,621	-	15,621	-	-	15,621	15,621
Debt securities	-	36,147	-	36,147	-	36,147	-	36,147
	-	**63,865**	**-**	**63,865**	**12,097**	**36,147**	**15,621**	**63,865**
Financial assets not measured at fair value								
Trade and other receivables **	445,161	-	-	445,161	-	-	-	-
Amounts due from related companies	66,778	-	-	66,778	-	-	-	-
Cash and cash equivalents	9,739	-	-	9,739	-	-	-	-
	521,678	**-**	**-**	**521,678**	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	124,389	124,389	-	-	-	-
Interest bearing borrowings	-	-	383,090	383,090	-	-	-	-
Amounts due to related companies	-	-	7,134	7,134	-	-	-	-
Bank overdrafts	-	-	45,409	45,409	-	-	-	-
	-	**-**	**560,022**	**560,022**	**-**	**-**	**-**	**-**

* Trade and other receivables that are not financial assets (Prepayments; Rs. 519,808/- advances; Rs. 3,634,627/-) are not included.

* Trade and other payables that are not financial liabilities (ESC payable; Rs. 759,000/-, WHT payable; Rs. 3,900/-, and statutory tax liabilities; Rs.1,770,189/-,Accrued expenses 7,329,004/-) are not included.

Company

At 31st March 2020 In Rs. 000	Financial assets measured at amortised cost	FVOCI - equity instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity securities - quoted	-	11,193	-	11,193	11,193	-	-	11,193
Debt securities	-	24,449	-	24,449	-	24,449	-	24,449
	-	**35,642**	**-**	**35,642**	**11,193**	**24,449**	**-**	**35,642**
Financial assets not measured at fair value								
Trade and other receivables	20	-	-	20	-	-	-	-
Amounts due from related companies	86,744	-	-	86,744	-	-	-	-
Cash and cash equivalents	1,814	-	-	1,814	-	-	-	-
	88,578	**-**	**-**	**88,578**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	1,948	1,948	-	-	-	-
	-	**-**	**1,948**	**1,948**	**-**	**-**	**-**	**-**

* Trade and other payables that are not financial liabilities (WHT payable; Rs.36,626/-,Accrued expenses 809,498/-) is not included.

Company

At 31st March 2019 In Rs. '000	Loans and receivables	Available for sale financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity securities - quoted	-	12,079	-	12,079	12,079	-	-	12,079
Debt securities	-	36,147	-	36,147	-	36,147	-	36,147
	-	**48,226**	**-**	**48,226**	**12,079**	**36,147**	**-**	**48,226**
Financial assets not measured at fair value								
Trade and other receivables	20	-	-	20	-	-	-	-
Amounts due from related companies	65,523	-	-	65,523	-	-	-	-
Cash and cash equivalents	7,305	-	-	7,305	-	-	-	-
	72,848	**-**	**-**	**72,848**	**-**	**-**	**-**	**-**
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	1,864	1,864	-	-	-	-
	-	**-**	**1,864**	**1,864**	**-**	**-**	**-**	**-**

* Trade and other payables that are not financial liabilities (WHT payable; Rs.36,626/-,Accrued expenses Rs.743,605/-) is not included.

31.2 Risk Management

Overview

The Group has exposure to the following risks arising from financial instruments:

i. Credit risk
ii. Liquidity risk
iii. Market risk

Risk management framework

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit Department. Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

31.2.1. Credit risk

Credit risk is the risk of financial loss to the Group, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and related parties and investment securities

The carrying amounts of financial assets represent the maximum credit exposure.

As at 31st March		Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Exposure to credit risk					
	Note				
Other financial assets	18	50,427	63,865	35,642	48,226
Trade and other receivables	21	392,507	445,161	20	20
Amount due from related companies	22	71,205	66,778	86,744	65,523
Cash and cash equivalent	23	8,024	9,739	1,814	7,305
Total		**522,163**	**585,543**	**124,220**	**121,074**

Impairment losses on financial assets recognised in profit or loss were as follows,

	Group 2020 Rs. 000	Group 2019 Rs. 000	Company 2020 Rs. 000	Company 2019 Rs. 000
Expected loss allowance - trade and other receivables	547	3,089	-	(886)
Expected loss allowance - related parties	(2,837)	(711)	(3,284)	(498)
Expected loss allowance - debt securities	(7,297)	1,403	(7,297)	1,403
	(9,587)	**3,781**	**(10,581)**	**(19)**

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographic of the Company's customer base, including the default risk of the industry and area in which customer operate, as these factors may have an influence on credit risk.

The Group is closely monitoring the economic environment in the country and is taking necessary measures to limit its exposure to customers experiencing particular economic volatility.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of those receivables and the future macro economic conditions.

At 31st March 2020, the exposure to credit risk for trade receivables by type of counterparty was as follows.

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Distributors	54,759	89,758	-	-
Government Institutions	207,824	196,260	-	-
Institutions	18,814	23,490	-	-
	281,397	**309,508**	**-**	**-**

The ageing of trade receivables as at 31st March 2020 is as follows.

	Group	Company
	2020	2020
	Rs. 000	Rs. 000
Past due but not impaired		
Past due 1-30 days	38,433	-
Past due 31-90 days	113,495	-
Past due 91-120 days	63,476	-
Past due 121-365 days	65,993	-
Impairment of trade receivables	**281,397**	-

Impaired other receivables as at 31st March 2020 had a gross carrying amount of Rs. 886,000/-.

Expected credit loss assessment for trade and other receivables as at 31st March 2020

The Group uses an allowance metrix to measure the ECLs of trade and other receivables.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables as at 31st March 2020

As at 31st March 2020	Group	
Rs.000	**Gross carrying amount**	**Loss allowance**
Past due 1-30 days	38,433	-
Past due 31-90 days	113,495	62
Past due 91-120 days	63,476	42
Past due 121-365 days	65,993	282
	281,397	**386**

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected,current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The movement in the allowance for impairment in respect of trade and other receivables during the year

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
At 1st April	1,819	886	886	886
Adjustment due to initial application of SLRS 9	-	4,022	-	-
Adjusted balance	1,819	4,908	886	886
Provision for the year	(547)	(3,089)	-	-
At 31st March	1,272	1,819	886	886

Amounts due from related companies

Impairment on amounts due from related companies has been measured on a life time expected credit loss basis and reflect the short maturities of the exposures.

The movement in the allowance for impairment in respect of amounts due from related companies during the year.

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
At 1st April	1,157	120	1,039	120
Adjustment due to initial application of SLRS 9	-	326	-	421
Adjusted balance	1,157	446	1,039	541
Provision for the year	2,837	711	3,284	498
At 31st March	3,994	1,157	4,323	1,039

Debt securities

The following table presents an analysis of the credit quality of debt securities at fair value through other comprehensive income.

Investment in debentures of Kotagala Plantations PLC

	Lifetime ECL - Credit rating credit impaired	
	2020	2019
	Rs. 000	Rs. 000
Credit rating CC - C	30,886	39,379
Gross carrying amounts at amortised cost:	30,886	39,379
Loss allowance	(11,971)	(4,674)
Amortised cost	18,915	34,705
Carrying amount - at FVOCI	24,449	36,174

The movement in the loss allowance for impairment of debt securities at FVOCI during the year was as follows.

	Lifetime ECL - Credit rating credit impaired	
	2020	2019
	Rs. 000	Rs. 000
Adjustment on initial application of SLFRS 9	-	6,077
Balance at April	4,674	6,077
Financial assets derecognised	(1,452)	(19)
Net remeasurement of loss allowance	8,749	(1,384)
Balance at 31st March	**11,971**	**4,674**

31.2.2 Liquidity risk

Liuqidity Risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.
The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding of netting agreements.

As at 31 March 2020	Group				Company			
	Carrying Amount Rs. 000	Contractual Cash Flows Rs. 000	Less than One Year Rs. 000	More than One Year Rs. 000	Carrying Amount Rs. 000	Contractual Cash Flows Rs. 000	Less than One Year Rs. 000	More than One Year Rs. 000
Non-derivative Financial Liabilities								
Interest bearing borrowings	185,005	192,066	192,066	-	-	-	-	-
Lease liabilities	2,170	2,170	2,170	-	-	-	-	-
Trade & other payables	353,483	353,483	353,483	-	2,794	2,794	2,794	-
Amount due to related Companies	7,710	7,710	7,710	-	-	-	-	-
Bank overdraft	34,692	34,692	34,692	-	-	-	-	-
Total	**583,060**	**590,121**	**590,121**	**-**	**2,794**	**2,794**	**2,794**	**-**

As at 31 March 2019	Group				Company			
	Carrying Amount Rs. 000	Contractual Cash Flows Rs. 000	Less than One Year Rs. 000	More than One Year Rs. 000	Carrying Amount Rs. 000	Contractual Cash Flows Rs. 000	Less than One Year Rs. 000	More than One Year Rs. 000
Non-derivative Financial Liabilities								
Interest bearing borrowings	383,090	402,595	402,595	-	-	-	-	-
Trade & other payables	134,252	134,252	134,252	-	2,644	2,644	2,644	-
Amount due to related Companies	7,134	7,134	7,134	-	-	-	-	-
Bank Overdraft	45,409	45,409	45,409	-	-	-	-	-
Total	**569,885**	**589,390**	**589,390**	**-**	**2,644**	**2,644**	**2,644**	**-**

31.2.3 Market risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc.; will affect the Group's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns.

31.2.3.1 Currency risk

The Company is not exposed to currency risk as at the reporting date.

The Subsidiary; Pettah Pharmacy (Private) Limited is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

To mitigate the exposure to foreign currency risk, some of the non-LKR cash flows are monitored and forward exchange contracts are entered into in accordance with its risk management policies.

Forward exchange contracts are mainly entered into in respect of short term bills payable on imports.

Foreign currency denominated financial assets and liabilities which expose the Subsidiary Company to currency risk are disclosed below.

31st March 2020	**USD Exposure Rs. 000**
Financial Assets	110,877
Financial Liabilities	(345,102)
Total Exposure	**(234,225)**

The following table illustrates the sensitivity of profit in regards to the Group's financial liabilities and the USD/LKR exchange rate 'all other things being equal'. It assumes a +/-2% change of the LKR/USD exchange rate for the year ended at 31 March 2020. This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months.

If the LKR had strengthened against the USD 2% then this would have had the following impact:

	Profit for the Year USD Exposure Rs. 000
31st March 2020	**4,685**

If the LKR had weakened against the USD by 2% then this would have had the following impact:

	Profit for the Year USD Exposure Rs. 000
31st March 2020	**(4,685)**

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

31.4.3.2 Interest rate risk

Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market interest rates. The exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligation and Investments with floating Interest rates.

However the Company does not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

Limited exposes to changes in market interest rate through bank borrowings at variable interest rates and other borrowings at fixed interest rates. The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-1% These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the Year	
	Rs. 000	**Rs. 000**
	+1%	**-1%**
31st March 2020	6,023	(6,023)

32. RELATED PARTY TRANSACTIONS

32.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard LKAS-24 'Related Party Disclosures', Key Management Personnel, are those having authority and responsibility for planning,directing and controlling the activities of the entity. Accordingly the Board of Directors (including Executive and Non-executive Directors) have been classified as key management personnel.

32.1.1 Loans to Directors

No loans have been given to the Directors by the Group/Company.

32.1.2 Key Management Personnel Compensation

	Group		Company	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Key Management Personnel Compensation	6,840	7,377	1,200	1,200

32.2 RELATED PARTY TRANSACTIONS

All Related Party Transactions carried out in the normal course of business and transactions at normal business terms. Transactions made on terms equivalent to those the preveil in arm's length transactions. Outstanding balance at year end are unsecured and are to be settled in cash.

The Group has a related party relationship with its related group companies. The following trascations were carried out with related parties during the year ended 31st March 2020 by the Parent and its Subsidiary.

33.2.1 Related Party Transactions carried out by the Company

Name of the Company	Name of Directors	Name of Transactions	Terms of the Transaction	Transaction Value Rs. 000	Outstanding Balance as at 31.03.2020 Rs. 000	Outstanding Balance as at 31.03.2019 Rs. 000
Pettah Pharmacy (Private) Limited	S.D.R. Arudpragasam	Interest Income	Market Terms	529	21,738	3,209
	P. Pathmarajah	Management Fee	Contractual Payment	2,000		
	R.N. Bopearatchy					
	R.C.A. Welikala	Loan granted	Short Term	22,437		
	P.M.A. Sirimane	Management Fee Received	Contractual Payment	(3,500)		
	A.R. Rasiah					
	S.N.P. Palihena	Interest Received	Market Terms	(1,337)		
	A.M. Mubarak	Loan Settlement	Short Term	(1,600)		
E.B.Creasy & Company PLC	S.D.R. Arudpragasam	Interest Income	Market Terms	4,001	38,838	49,369
	R.N. Bopearatchy	Loan granted	Short Term	3,000		
	R.C.A. Welikala	Interest Received	Market Terms	(6,292)		
	P.M.A. Sirimane	Loan Settlement	Short Term	(11,240)		
	A.R. Rasiah					
	S.N.P. Palihena					
	A.M. Mubarak					
Kotagala Plantations PLC	S.D.R. Arudpragasam	Interest Income	Market Terms	4,007	30,371	13,864
		Debenture Maturity Value	Market Terms	12,500		

32.2.2 Related Party Transactions carried out by the Subsidiary

Name of the Company	Name of Directors	Name of Transactions	Terms of the transaction	Transaction Value	Outstanding Balance as at 31.03.2020	Outstanding Balance as at 31.03.2019
				Rs. 000	Rs. 000	Rs. 000
E.B.Creasy & Company PLC	S.D.R Arudpragasam R.N Boperatchy R.C.A Welikala P.M.A Sirimane A.R. Rasiah S.N. P Palihena A.M. Mubarak	Rent expenses Re-imbursement of expenses Settlements during the Year	Contractual Payment Percentage of revenue	7,598 5,398 (16,301)	3,648	6,953
Darley Butler & Company Ltd	S.D.R Arudpragasam R.N Boperatchy R.C.A Welikala P.M.A Sirimane A.R. Rasiah S.N. P Palihena A.M. Mubarak	Re-imbursement of expenses Storage expenses Settlements during the Year	Market Terms Market Terms	2,288 (3,416)	2,454	3,582
E.B.Creasy Logistics Ltd	S.D.R Arudpragasam R.N Boperatchy R.C.A Welikala P.M.A Sirimane	Clearing charges Settlements during the Year	Market Terms	(8,796) 9,261	646	181
Ceyflex Rubber Limited	S.D. Arudpragasam R.N. Boperatchy R.C.A. Welikala P.M.A. Sirimane A.M. Mubarak	Advance Settlements during the Year	Market Terms	- (1,000)	-	1,000
Corporate Managers & Secretaries (Pvt) Ltd	P. Pathmarajah	Secretarial & Registration Fees Loan Interest on Loan Loan Settlement Interest Settlement Settlement	Market Terms Short Term Market Terms	826 45,000 515 (45,000) (515) (766)	60	-

There are no related party transactions other than those disclosed above.

This Note should be read in conjunction with Notes No. 22 and 30 to the Financial Statements.

32.2.3 Recurrent and non-recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceed 10% of the consolidated revenue of the Group as per 31st March 2020 audited financial statements, which require additional disclosure in the 2019/2020 Annual Report under Colombo Stock Exchange listing rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

33. GOING CONCERN

Muller & Phipps (Ceylon) PLC carries out its operation mainly through its fully owned subsidiary Pettah Pharmacy (Pvt) Limited. Pettah Pharmacy (Pvt) Limited was incorporated in 1966, and its main operating activity is Import & selling Pharmaceuticals.

Muller & Phipps (Ceylon) PLC, (the Parent), has reported a Net Loss of Rs. 3.23Mn (2019 – Net Profit of Rs.11.84Mn) and the Group has reported a Net Loss of Rs. 103.9Mn (2019 – Net Loss of Rs. 60.5Mn) for the year ended 31st March 2020. As of that date, the accumulated losses of the Group recorded at Rs. 78.84Mn (2019 - Accumulated Profit of Rs. 24.89Mn), resulting in a decline of Group's Net Assets to Rs. 23.51Mn.

The Group has implemented strategic initiatives in its subsidiary company to recoup losses. These include financial restructuring with the view to improve liquidity and reduce finance cost, supply goods against Letters of Credit to manage credit risk and settlement delays, discontinue loss making business units, infuse money to the business via parent company's financial support and maintain healthy margins through cost reduction measures and price revisions. As such, it is expected that Pettah Pharmacy (Pvt) Limited (the Subsidiary) will generate considerable profits for ensuing financial years to recoup its accumulated losses. Further, the Group recorded a profit of Rs. 10.4Mn during the six months ended 30th September 2020.

34. IMPACT OF COVID-19 ON THE FINANCIAL RISK MANAGEMENT

Following the spread of global pandemic COVID-19 in Sri Lanka, an island wide curfew and a state of "work from home" were imposed for the general public from 20 March 2020, with restrictions waived only for essential services. The imposition of curfew has been eased in many parts of the country in April 2020 with the given exception for the distribution of essential goods and services which then includes the distribution of pharmaceuticals too.

The Group experienced temporally disruption in importing and distribution of pharmaceuticals, and collections from trade debtors. Sales did not reach the budgeted figures with the limited stocks driven by the disrupted importation and the finance cost were considerably high due to working capital issues and LKR depreciation against the USD. Working capital issues arose as a result of extending the standard credit period given to distributors from 40 days to 60 days and this was set at the regular terms in August 2020, consequential to the effective management of working capital.

Estimation Uncertainty in Preparation of Financial Statements

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements.

The estimation uncertainty is associated with:

– the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP, employment and inflation). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, impact of unemployment, and further disruption in importation.

– the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group and the company have developed various accounting estimates in these Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31st March 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgment involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group and the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may impact accounting estimates included in these financial statements. There could be a possible increase in credit risk due to the individuals which would delay the settlements of customer dues and some of the customers may default their settlements.

Based on the assessments made on the recoverable amounts of non-financial assets, there were no indications that required to make an adjustment into financial statements. This mainly relates to investments in subsidiary. The Subsidiary is having access to funding to continue their business operations. This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgments and estimates. Mainly, the Company reflected the impact of COVID-19 through the macro-economic factor adjustments with respect to the expected credit losses. Assumptions relevant to expected credit loss computations are further discussed in Note 6.12 to these financial statements.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

36. CAPITAL COMMITMENTS

There were no material capital commitments as at the reporting date.

37. CONTINGENT LIABILITIES

There were no material contingent liabilities, which require adjustment to or disclosure in the financial statements as at the reporting period.

Share Information

DISTRIBUTION OF SHAREHOLDINGS

Shareholdings	31st March 2020 No. of Shareholders	31st March 2020 Total Shareholdings	31st March 2020 %	31st March 2019 No. of Shareholders	31st March 2019 Total Shareholdings	31st March 2019 %
1 - 1,000	1,257	485,630	0.17	1,252	488,318	0.17
1,001 - 10,000	1,017	4,640,796	1.64	1,022	4,631,646	1.63
10,001 - 100,000	437	15,395,578	5.44	430	14,539,088	5.14
100,001 - 1,000,000	91	24,497,057	8.66	94	25,766,826	9.11
Over 1,000,000	10	237,980,939	84.09	7	237,574,122	83.95
Total	**2,812**	**283,000,000**	**100.00**	**2,805**	**283,000,000**	**100.00**
Categories of Shareholders						
Individuals	2,738	48,400,422	17.10	2,727	43,552,830	15.39
Institutions	74	234,599,578	82.90	78	239,447,170	84.61
Total	**2,812**	**283,000,000**	**100.00**	**2,805**	**283,000,000**	**100.00**

MARKET VALUE

The market value of an ordinary share of Muller & Phipps (Ceylon) PLC

	2019/20 Rs.	2018/19 Rs.
Highest Price	1.20	1.00
Lowest Price	0.50	0.50
Year End Price	0.60	0.60
FINANCIAL STATISTICS		
Earning/(Loss) per Share	(0.37)	(0.22)
Net Assets per Share	0.03	0.42

PUBLIC HOLDING

The percentage of shares held by the public as at 31st March 2020 was 48.66% (31st March 2019 - 48.37%)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 5 and the Float Adjusted Market Capitalization as of 31.03.2020 was Rs. 82,624,680.00

PUBLIC SHAREHOLDERS

Number of Public Shareholders as at 31st March 2020 were 2,804 (31st March 2019 - 2,798)

TWENTY MAJOR SHAREHOLDERS

	Name	31st March 2020		31st March 2019	
		No. of shares	%	No. of shares	%
1	E.B. CREASY & COMPANY PLC	95,061,773	33.59%	145,061,773	51.26%
2	SAMPATH BANK PLC/ DR. T. SENTHILVERL	74,592,100	26.36%	74,592,100	26.36%
3	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ E.B. CREASY & COMPANY PLC	50,000,000	17.67%	-	-
4	HEXAGON HOLDINGS (PVT) LTD	4,860,000	1.72%	4,860,000	1.72%
5	GETZ BROS. & CO. INC.	3,675,000	1.30%	3,675,000	1.30%
6	MR. AJITH KRISHANTHA PALLIYA GURUGE DON	3,606,050	1.27%	3,606,050	1.27%
7	MR. RAVINDRA EARL RAMBUKWELLA	2,288,160	0.81%	680,000	0.24%
8	MERCHANT BANK OF SRI LANKA & FINANCE PLC/S.S. DE FONSEKA	1,461,440	0.52%	4,555,500	1.61%
9	MR. ABDUL MAJEED MOHAMEDU RISVI	1,223,699	0.43%	1,223,699	0.43%
10	MR. MADHURA SUPUN HIRIPITIYA	1,212,717	0.43%	-	-
11	MR. BUWANEKA TISSA PRATHAPASINGHE AND MRS. UMA KUMARI PRATHAPASINGHE	1,000,000	0.35%	1,000,000	0.35%
12	MR. HARSHAKA CHAMUPATHIE SUBASINGHE	1,000,000	0.35%	1,000,000	0.35%
13	MR. ASIRI DILHAN DE SILVA	774,195	0.27%	774,195	0.27%
14	MR. BHADRAKA YASANGA EDIRISURIYA AND MRS. RUWANKA DEEPANI EDIRISURIYA	766,944	0.27%	2,000	0.00
15	MISS HENNEDIGE THINUSHKA SUDHARSHI SOYSA	760,000	0.27%	-	-
16	MR. SAJID HUSSEIN MAKEEN	702,800	0.25%	702,800	0.25%
17	MR. ABHAYAGUNAWARDHANALAGE NILANTHA PRADEEP ABHAYAGUNAWARDHANA	680,200	0.24%	680,200	0.24%
18	MR. HETTIKANKANAMAGE DON SATHDIYA SARATH	575,952	0.20%	575,952	0.20%
19	MR. MOHAMED NAJUMUDEEN MOHAMED ZACKIE	568,744	0.20%	-	-
20	MR. ANURA NEILAN WILLIAM	500,000	0.18%	500,000	0.18%
21	ARUNA ENTERPRISES (PVT) LIMITED	500,000	0.18%	500,000	0.18%
22	MR. HILARY AYOMAL FERNANDO	500,000	0.18%	500,000	0.18%
	Total	**246,309,774**	**87.04%**	**244,489,269**	**86.39%**

Financial Summary

TEN YEAR SUMMARY - GROUP

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs.'000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Trading Result																
Turnover	205,744	231,166	237,559	294,389	306,110	340,524	383,232	427,257	529,823	573,252	755,482	903,252	898,607	937,388	988,647	847,098
Profits/(Loss) Before Tax	18,003	17,982	15,336	8,270	31,964	31,040	38,343	51,929	43,744	18,316	57,395	41,753	30,754	1,263	(73,451)	(87,954)
Taxation	(3,439)	(4,868)	(3,857)	(5,381)	(11,296)	(11,700)	(13,764)	(9,019)	(12,050)	(6,338)	(15,766)	(9,975)	(9,157)	1,856	12,939	(15,999)
Profits/(Loss) After Tax	14,564	13,114	11,479	2,889	20,669	19,340	24,579	42,910	31,694	11,978	41,629	31,778	21,597	3,119	(60,512)	(103,953)
Assets Employed																
Property, Plant & Equipment	2,654	2,716	6,014	6,308	5,984	6,066	4,491	6,093	9,224	7,255	6,255	5,734	5,305	4,358	3,806	2,815
Investments	12	12	12				12,000	25,230	27,039	20,077	74,983	79,454	78,096	83,590	63,865	50,427
Net Current Assets (Liabilities)	(251,615)	19,927	27,064	33,034	53,993	72,897	93,995	116,704	136,272	149,863	129,163	139,653	123,309	111,477	44,950	14,230
Shareholder's Funds																
Stated Capital	75,000	69,000	117,000	189,572	189,572	189,572	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000
Reserves	(355,687)	(288,572)	(277,094)	(274,205)	(253,536)	(234,196)	23,533	60,299	86,913	91,273	123,494	136,552	117,700	113,855	12,993	19,351
Non-Currents Liabilities	31,737	194,227	193,718	124,749	124,946	124,587	6,377	6,961	3,311	3,366	4,349	6,118	6,917	5,895	9,942	53,276
Fianacial Ratios																
Pre-Tax Profit: Turnover (%)	8.75	7.78	6.46	2.81	10.00	9.11	10.01	12.15	8.26	3.19	7.60	4.62	3.46	0.13	(7.43)	(10.38)
Pre-Tax Profit: Shareholder's Funds	(5.19)	(10.48)	(9.58)	(4.82)	(15.00)	(0.70)	0.36	0.36	0.26	0.10	0.28	0.19	0.15	0.01	(0.77)	(0.86)
Liquidity																
Current Assets: Current Liabilities	0.28	1.31	1.34	1.29	2.00	1.59	1.68	2.02	2.02	2.28	1.49	1.30	1.24	1.24	1.08	1.02
Others																
Earning Per Share (Rs.)	2.43	0.35	0.21	0.04	0.15	0.14	0.09	0.15	0.11	0.04	0.15	0.11	0.08	0.01	(0.21)	(0.37)
Net Assets Per Share (Rs.)	(46.78)	(4.52)	2.96	1.20	(0.45)	(0.31)	0.38	0.51	0.60	0.62	0.73	0.78	0.71	0.70	0.43	0.08
Market Value Per Share (Rs.)	9.00	1.30	1.00	1.00	0.50	1.00	2.40	1.90	1.50	1.20	1.20	1.20	1.10	1.00	0.60	0.60
Market Capitalization	54,000	49,400	54,000	70,555	141,572	189,572	679,200	537,700	424,500	339,600	339,600	339,600	311,300	283,000	169,800	169,800

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Form of Proxy

I/We ....of ....
.... being a member/ members of MULLER & PHIPPS (CEYLON) PLC hereby appoint .... of .... or failing him

1.	SRI DHAMAN RAJENDRAM ARUDPRAGASAM	of Colombo or failing him
2.	PONNAMBALAM PATHMARAJAH	of Colombo or failing him
3.	RANJIT NOEL BOPEARATCHY	of Colombo or failing him
4.	ROHAN CHRISANTHA ANIL WELIKALA	of Colombo or failing him
5.	PARAKRAMA MAITHRI ASOKA SIRIMANE	of Colombo or failing him
6.	ALBERT RASAKANTHA RASIAH	of Colombo or failing him
7.	SHANTHIKUMAR NIMAL PLACIDUS PALIHENA	of Colombo or failing him
8.	AZEEZ MOHAMED MUBARAK	of Colombo

as my/our* proxy to represent me/us* and to vote on my/our* behalf at the Annual General Meeting of the Company to be held on 30th December 2020, and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2020, with the Report of the Auditors thereon.		
2.	To re-elect Dr. A.M. Mubarak as a Director.		
3.	To reappoint Mr. P. Pathmarajah as a Director.		
4.	To reappoint Mr. R.N. Bopearatchy as a Director		
5.	To reappoint Mr. A.R. Rasiah as a Director		
6.	To reappoint Mr. S.N.P. Palihena as a Director		
7.	To authorize the Directors to determine contributions to charities.		
8.	To reappoint as Auditors, KPMG and authorize the Directors to determine their remuneration.		
9.	Special Business To amend the Articles of Association of the Company as set out in the Notice of Meeting.		

Signed this .... day of .... Two Thousand and Twenty.

....

Signature of Shareholder(s)

Instructions as to completion are stated on the reverse hereof.

***Note:** Please delete the inappropriate words.

A proxy need not be a member of the Company. If no words are deleted or there is in the view of the proxy doubt (by reason of the way in which instructions contained in the proxy form have been completed) as to the way in which the proxy should vote, the proxy will vote as he thinks fit.

INSTRUCTIONS AS TO COMPLETION

1. Please perfect the Form of Proxy, after filling in legibly your full name and address by signing in the space provided and filling in the date of signature.

2. In the case of Company/Corporation, this Form of Proxy must be executed either under its Common Seal or by its Attorney or by an Authorized Officer on behalf of such Company/Corporation duly authorized in writing.

3. In the case of a proxy signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not been Registered with the Company.

4. The completed Form of Proxy should be deposited at the Registered Office of the Company's Secretaries, Corporate Managers and Secretaries (Pvt) Limited 8-5/2, Leyden Bastian Road, Colombo 1, not less than 48 hours before the time appointed for the holding of the meeting.

Corporate Information

Name of Company :	Muller & Phipps (Ceylon) PLC
Status & Legal Form :	A Public Quoted Company with Limited Liability incorporated in Sri Lanka on 8th May, 1964 under the Companies Ordinance No. 51 of 1938
Company Registration No.	PQ 177
Registered Office:	98, Sri Sangaraja Mawatha, Colombo 10. Tel: 94 (11) 2421311 Fax: 94 (11) 2448534
Stock Exchange Listing:	The Issued Ordinary Shares of Muller & Phipps (Ceylon) PLC are listed with the Colombo Stock Exchange of Sri Lanka.
Board of Directors:	S.D.R. Arudpragasam (Chairman) P. Pathmarajah R.C.A. Welikala R.N. Bopearatchy P.M.A. Sirimane A.R. Rasiah S.N.P. Palihena Dr. A.M. Mubarak
Secretaries:	Corporate Managers & Secretaries (Private) Limited No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1.
Auditors:	KPMG Chartered Accountants, No. 32 A, Sir Mohamed Macan Markar Mawatha, Colombo 03. Tel: 5426426 Website: www.lk.kpmg.com
Lawyers:	Julius & Creasy No. 371, R.A. De Mel Mawatha, Colombo 03.
Bankers	Hatton National Bank PLC