Annual Report

2021/22

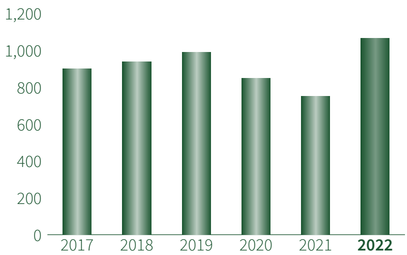
Muller & Phipps (Ceylon) PLC

CONTENTS

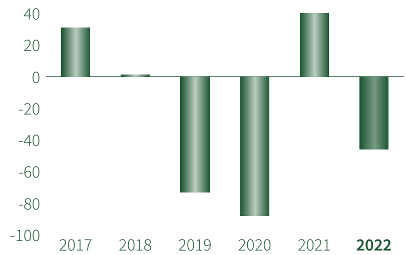
FINANCIAL HIGHLIGHTS

	2021/22	2020/21
Group Turnover (Rs. '000)	1,064,608	750,876
Group Profit / (Loss) before Taxation (Rs. '000)	(46,115)	40,346
Group Profit / (Loss) after Taxation (Rs. '000)	(36,693)	66,827
Shareholders' Funds Group (Rs. '000)	38,504	84,401
Earnings/(Loss) Per Share (Rs.)	(0.13)	0.24
Net Assets per Share (Rs.)	0.14	0.30
Market Price per Share (Rs.)	1.00	1.10

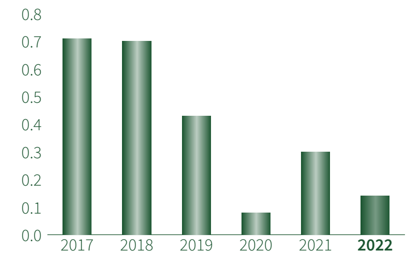
Group Turnover (Rs. Mn)



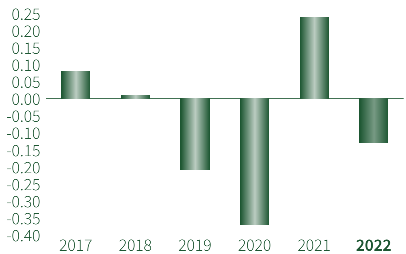
Group Profit / (Loss) before Taxation (Rs. Mn)



Net Assets per Share (Rs.)



Earnings /(Loss) per Share (Rs.)



NOTICE OF MEETING

Notice is hereby given that the Fifty Seventh Annual General Meeting of Muller & Phipps (Ceylon) PLC will be held on Wednesday 28th September 2022 at 10.00 a.m. and conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, 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 2022 with the Report of the Auditors thereon.

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

3. 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. 6).

4. 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. 7).

5. 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. 8).

6. To reappoint Dr. A.M. Mubarak 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 reappoint Mr. S.D.R. Arudpragasam 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.10).

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

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

By Order of the Board,

Corporate Managers & Secretaries (Private) Limited.
Secretaries

Colombo
29th August 2022

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 Corporate Managers & Secretaries (Pvt) Ltd, 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 meeting.

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 Secretaries in accordance with the instructions given on the reverse of the Form of Proxy.

5. Please refer the CSE website and the "Circular to Shareholders" dated 29th August 2022 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. R.N. Bopearatchy, who is eighty one 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."

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. A.R. Rasiah who is seventy six 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."

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. S.N.P. Palihena who is 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. S.N.P. Palihena."

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 Dr. A.M. Mubarak who is seventy one 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, Dr. A.M. Mubarak."

10. 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.D.R. Arudpragasam who is seventy one 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.D.R. Arudpragasam."

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, it gives me great pleasure to welcome you to the Company's Fifty Seventh Annual General Meeting and present to you the Annual Report and the Audited Financial Statements of the Company for the year ended 31st March 2022.

As the Country seeks a path to political stability and economic recovery from the recent challenges caused by the pandemic and macro-economic uncertainties, the Group continued to face challenges in its operations during the year under review.

The Company's trading operations were conducted by its wholly owned subsidiary Pettah Pharmacy (Private) Limited and the Group generated a business turnover of Rs. 1,064 Mn resulting in an Operating profit of Rs. 118 Mn during the year. However, unpredicted depreciation of Sri Lankan Rupee caused a significant exchange loss, which resulted in a loss before tax of Rs. 46.1 Mn for the year.

Nevertheless, we are encouraged by the 42% growth in turnover and the 63% increase in the operating profit compared to the previous year, which enable us to serve our consumers continuously in these difficult times. Specifically, the subsidiary company increased its sales in the specialty care business range by a significant amount by providing critical medicines to patients during the year under review.

The country, at present, is in an unstable state due to inadequate foreign exchange reserves to meet import requirements of essential goods. Most of the business sectors who are involved in imports are directly affected by this, while others have an indirect impact. Rising interest rates are likely to increase the financing cost for corporates. Therefore, another challenging year is inevitable for the group due to the influence of hyperinflation and adverse macroeconomic challenges. Nevertheless, we are cautious and vigilant about the upcoming situation in the environment and will continue to exploit our strengths and strategic initiatives to enhance the business performance. We continue to work in close collaboration with our principals and seek required assistance to grow our business.

In conclusion, I wish to thank all the employees in the Group for their dedication and hard work. I take this opportunity to thank my fellow Board members for their insights and deliberations. Finally, I thank our shareholders for their continued support and confidence and look forward to delivering enhanced value in the year ahead.

S.D.R. Arudpragasam
Chairman

29th August 2022

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/ Managing Director of the Immediate Parent Company, E.B. Creasy & Company PLC and was also appointed Chairman of the Ultimate Parent Company, The Colombo Fort Land & Building PLC (CFLB) with effect from 1st July 2022. He has been associated with the CFLB Group since 1982 and prior to such appointment he held the position of Deputy Chairman on the Board of The Colombo Fort Land and Building PLC. Mr. Arudpragasam serves as Chairman of several subsidiaries of The Colombo Fort Land & Building PLC (CFLB) including Chairman, Lankem Ceylon PLC and C M Holdings PLC in addition to holding other Directorships within the CFLB Group.

Mr. Arudpragasam is a Fellow of the Chartered Institute of Management Accountants (U.K.).

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.

He holds a Bachelor of Science degree from the University of Ceylon and a Masters in Business Administration from the University of Colombo and a Diploma in Business Management from NIBM.

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 exofficio 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.

Mr. Sirimane is a Fellow of the Institute of Chartered Accountants of Sri Lanka and also holds a Masters in Business Administration from the University of Swinburne, Victoria Australia.

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 is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and finalist of the Chartered Institute of Management Accountants (UK). He holds a Bachelor of Science Degree from the University of Ceylon.

Mr. A.R. Rasiah's illustrious career both in finance and commerce spans over thirty-five years. He started his career with Ernst and Young and later served at Mercantile Group of Companies and Almulla Group of Companies, Kuwait. Finally, he joined Nestle Lanka PLC as Director Finance in 1994 and was with the Group until his retirement in 2005. He was formerly Chairman of Atlas Axillia (Pvt) Ltd., Chairman of the Sri Lanka Institute of Directors and Senior Director of Nations Trust Bank PLC. Currently Mr. Rasiah functions as the Chairman of Hela Apparel Holdings PLC, Alternate to Chairman of Gestetner of Ceylon PLC and as NonExecutive Director of the EB

BOARD OF DIRECTORS

Creasy Group of Companies, on some of the Boards of the Hotels Sector in The Colombo Fort Land & Building Group, Fintek Managed Solutions (Pvt) Ltd, Clindata Lanka (Pvt) Ltd, Sunshine Tea Co (Pvt) Ltd and Watawala Plantations PLC He is also a keen sportsman who represented Sri Lanka at 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.

He is a Fellow of the Chartered Institute of Bankers - London, and a Fellow of the Institute of Bankers – Sri Lanka. He also has a Post Graduate Diploma in Business and Financial Administration.

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 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, a former Director and Chief Executive Officer of the Industrial Technology Institute, has several years experience in managing industry oriented R&D. Presently he holds the post of Chief of Research and Innovation at the Sri Lanka Institute of Nanotechnology (Pvt) Ltd.

Dr. Mubarak has also held the posts of President, Institute of Chemistry, Ceylon, Sri Lanka Association for the Advancement of Science and 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. Currently he functions as Chairman of Union Chemicals Lanka PLC, and as a Member of the University of Sri Jayewardenapura Council and the Sri Lanka Standards Institute Council.

Dr. Mubarak serves on the Boards of E.B. Creasy & Company PLC, Lankem Ceylon PLC and on some of the subsidiaries of the aforementioned Companies.

S. Rajaratnam – *B.Sc. CA*
Director

Mr. S. Rajaratnam was appointed to the Board as a Non-Executive Director in June 2021. He holds the position of Joint Managing Director of E.B. Creasy & Company PLC and serves on the Boards of certain subsidiaries of the E.B. Creasy Group. He holds several other Directorships including The Colombo Fort Land & Building PLC.

Mr. S. Rajaratnam holds a Bachelor of Science Degree in Business Administration from Boston College, U.S.A. and is a member of the Institute of Chartered Accountants in Australia.

S. W. Gunawardena – *B.Sc., MBA*
Director

Mr. S.W. Gunawardena was appointed to the Board as a Non-Executive Director in June 2021. Prior to joining the Parent Company E.B. Creasy & Company PLC Mr. Gunawardena had served in leading mercantile establishments in Sri Lanka and overseas.

Mr. Gunawardena serves on the Board of E.B. Creasy & Company PLC and on the Boards of some of its subsidiaries. He also serves on the Board of International Household Insecticides Manufacturers BHD and functions as the Treasurer from 2014. He is also a Member of the Standing Committee on University Business Linkages (UBL) under the University Grants Commission.

Mr. Gunawardena holds a Bachelor of Science degree from the University of Colombo and a Masters in Business Administration from the Postgraduate Institute of Management, University of Sri Jayawardenapura.

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 suffered 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 and plants 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 resulting disruptions to supply chain, manufacturing and distribution	• Strengthening the business continuity plan • Risks and opportunities management • Use of technological advancements for remote operations and process automation
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 • Internal and external quality inspection • Standardised manufacturing processes • Ongoing investment and improvement initiatives in manufacturing facilities
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

RISK MANAGEMENT

Description of Risk	Mitigation Strategies
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

At present the Board of Muller & Phipps (Ceylon) PLC comprises of nine 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.

Brief profiles of the Directors currently in office appear on pages 5 to 6.

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

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*

Mr. S. Rajaratnam *Non-Executive Director (Appointed w.e.f. 15.06.2021)*

Mr. S.W. Gunawardena *Non-Executive Director (Appointed w.e.f. 15.06.2021)*

Late Mr. P. Pathmarajah *Non - Executive Director (Resigned w.e.f. 30.06.2021/ deceased on 20.07.2021)*

Each Non-Executive Director has submitted a declaration of independence/non-independence for the year. The Board makes a determination annually as to the independence/non-independence of each Non-Executive Director.

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 Listed Entity, the Parent Entity and some of its subsidiaries for over a period of nine years. However, the Board after taking into consideration that Messrs A.R. Rasiah, S.N.P. Palihena and Dr. A.M. Mubarak, Non-Executive Directors, are not directly involved in the management of the Company as well as all other circumstances listed in the Rules pertaining to the Criteria for defining Independence, is of the opinion that said Directors are nevertheless Independent.

DECISION MAKING OF THE BOARD

The Board has met once during the Financial Year under review and the individual attendance by members is shown below:

Name of the Director	Attendance
Mr. S. D. R. Arudpragasam	√
Mr. R. C. A. Welikala	√
Mr. R. N. Bopearatchy	√
Mr. P. M. A. Sirimane	√
Mr. A. R. Rasiah	√
Mr. S. N. P. Palihena	√
Dr. A. M. Mubarak	Excused
Mr. S. Rajaratnam	√
Mr. S. W. Gunawardena	√

In addition to Board Meetings, 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 in respect of the Company and its wholly owned Subsidiary, Pettah Pharmacy (Private) Limited 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 Committee Report is set out on page 14.

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. Currently the Board includes four 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 15.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The report of the Related Party Transactions Review Committee is set out on page 16.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 2022.

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 22 to 72.

Auditors' Report

The Auditors' Report on the Financial Statements is given on pages 17 to 21.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 26 to 38.

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 34.1.1 to the financial statements on page 68.

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 2021/ 2022 is detailed in Note 34.1.2 to the Financial Statements on page 68.

Directorate

The names of the Directors who held office during the financial year are given below and brief profiles of the Directors who are currently in office appear on pages 5 to 6.

Mr. S.D.R. Arudpragasam - *Chairman*

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*

Mr. S. Rajaratnam - *Director*
(Appointed w.e.f. 15.06.2021)

Mr. S.W. Gunawardena - *Director*
(Appointed w.e.f. 15.06.2021)

Late Mr. P. Pathmarajah - *Director*
(Resigned w.e.f. 30.06.2021/ deceased on 20.07.2021)

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

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.

Dr. A.M. Mubarak 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.D.R. Arudpragasam 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 authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, KPMG were paid Rs. 352,000/- (2020/2021 – Rs.320,000/-) 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. 840,000/- during the year under review (2020/2021 – Rs. 824,120/-) Further, these Auditors were paid Rs. 254,000/- as the Non Audit Services fee during the year (2020/2021 - Rs.270,000/-).

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. 1,065 million (2020/2021 – Rs. 751 million).

Results

The Group made a loss before tax expense of Rs. 46.1 million, against a profit of Rs. 40.3 million in the previous year. The detailed results are given in the Statement of Profit or Loss and Other Comprehensive Income on page 22.

Property, Plant & Equipment

Information relating to movement in Property, Plant & Equipment is given in Note 15 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 2022 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 2022 was a negative balance and amounted to Rs. 44.4 million comprising General Reserve of Rs. 5 million, Capital Reserve of Rs. 0.4 million, negative Fair Value Reserve of Rs. 2.7 million and Accumulated loss of Rs. 47.2 million.

The movements are shown in the Statement of Changes in Equity in the Financial Statements on page 24.

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 No. 13 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 Meetings held during the year.

The Related Party Transactions presented in the financial statements are disclosed in Note 34 on pages 68 to 71.

Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 73 to 74.

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 71.

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 yearend was 69 (2021/2022 – 65).

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 71 the Directors have adopted the going concern basis in preparing Financial Statements.

For and on behalf of the Board,

R.C.A. Welikala
Director

S.W. Gunawardena
Director

By Order of the Board,

Corporate Managers & Secretaries (Private) Limited
Secretaries

29th August 2022

REMUNERATION COMMITTEE REPORT

The Remuneration Committee consists of the following members:

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.

The Committee has met once during the financial year ended 31st March 2022.

Mr. A.R. Rasiah
Chairman
Remuneration Committee

29th August 2022

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, 2022.

MEETINGS AND ATTENDANCE

The Audit Committee has met on four occasions during the year ended 31st March, 2022.

The Attendance of the committee was as follows:

Mr. A.R. Rasiah	4/4
Mr. S.N.P. Palihena	2/4
Mr. A.M. de S. Jayaratne	3/4

In addition to Audit Committee meetings, matters are referred to the Committee and reviewed and recommended by Resolutions in writing.

Other members of the Board and Senior management personnel of the Company and its Subsidiary are invited to the meetings regularly. The proceedings of the Audit Committee are reported to the Board of Directors. External Auditors were present when appropriate.

EXTERNAL AUDIT

The Company has appointed KPMG as its external Auditor and the services 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 2023, 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.

Mr. A.R. Rasiah
Chairman
Audit Committee

29th August 2022

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 2022.

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

29th August 2022

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

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Internet : www.kpmg.com/lk

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 subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2022, 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 in 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 March 31, 2022, and of their financial performance and their 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

<table>
<tr><th colspan="2">Carrying value of inventories - Group
Refer note 6.13 (accounting policy) and note 21 (notes to the financial statements)</th></tr>
<tr><th>Risk description</th><th>Our response</th></tr>
<tr><td>As at 31 March 2022, the Group held inventories amounted to Rs. 136.45 Mn, against which a provision of Rs. 11.70 Mn 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 judgement 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 stock return arrangement with the supplier and estimated probability of selling.

We focused on this area due to the magnitude of the inventory balances and judgements and estimates involved in the calculation of inventory provisions.</td><td>Our audit procedures for included,

• Reviewing the conclusions and workpapers related to the following audit procedures performed by component auditors of the subsidiary on behalf of us;

• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of relevant manual control including testing the completeness and accuracy of operation of control that addresses process risk of material misstatement.

• On sample basis, verifying the inventory items physically as at the reporting date.

• Obtaining an understanding of the types and form of inventories maintained by industry segments, together with key processes and controls relating to the recording and measurement of inventories.

• Assessing the reasonableness of judgements applied in the identification and recording of inventories at NRV, including allowances recorded considering among others, the age of inventories, historical sales trends, subsequent prices secured, product life cycles and the outlook of the industry segments; and

• Testing the accuracy and completeness of inventory ageing reports used in the estimation of allowances.</td></tr>
<tr><th colspan="2">Fair value and the impairment of investments in debt securities - Company
Refer note 6.12 (accounting policy) and note 19 (notes to the financial statements)</th></tr>
<tr><th>Risk Description</th><th>Our Response</th></tr>
<tr><td>The investment in debt securities is measured at fair value through other comprehensive income, As at 31 March 2022, the Company fair value of debt securities and the related impairment provision carried at Rs. 14.71 Mn and Rs. 10.27 Mn respectively.

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 unobservable inputs.</td><td>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 31 March 2022.</td></tr>
</table>

Expected Credit Loss (ECL) model which is required by SLFRS 09 "financial instruments" to apply when assessing the impairment provision also takes judgements in setting the assumptions such as forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgements 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 judgement exercised by management in determining the inputs used in the valuation models.	• Assessing the adequacy of disclosures with the assistance of our internal valuation specialists in the financial statements with reference to the requirements of the Sri Lanka Accounting Standards.

Impairment of investment in subsidiary - Company Refer note 6.12 (accounting policy) and note 18	
Risk description	**Our Response**
As at 31 March 2022, the Company recorded Rs. 53.90 Mn as investment in subsidiary. The subsidiary company recorded a loss of Rs. 45.73 Mn (2020/2021 – profit of Rs.53.96 Mn) during the year under review. However, due to losses incurred in the previous years, the subsidiary had deficit net assets of Rs. 91.74 Mn. 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 judgement and estimates which could be subject to management bias.	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 valuation specialists, challenging the reasonableness of the key assumptions in the valuation models. • Assessing the adequacy of disclosures in the financial statements.

KPMG

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 will 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 identified above when it becomes available 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 judgement 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.

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 3544.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

29th August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March,	Notes	GROUP 2022 Rs.'000	GROUP 2021 Rs.'000	COMPANY 2022 Rs.'000	COMPANY 2021 Rs.'000
Revenue	8	**1,064,608**	750,876	**2,000**	2,000
Cost of sales		**(835,236)**	(562,473)	**-**	-
Gross profit		**229,372**	188,403	**2,000**	2,000
Other operating income	9.1	**9,615**	11,981	**701**	64
Administrative expenses		**(109,790)**	(103,116)	**(4,487)**	(4,766)
Distribution expenses		**(8,817)**	(7,640)	**-**	-
Other operating expenses	9.2	**(2,145)**	(21,022)	**-**	-
Impairment reversal/(loss) on financial assets	10	**309**	4,051	**(270)**	4,605
Operating profit/ (loss)		**118,544**	72,657	**(2,056)**	1,903
Finance income		**6,395**	9,503	**10,515**	11,807
Finance expenses		**(171,054)**	(41,814)	**-**	-
Net finance income/ (expenses)	11	**(164,659)**	(32,311)	**10,515**	11,807
Profit/ (loss) before income tax expense	12	**(46,115)**	40,346	**8,459**	13,710
Income tax (expense) /reversal	13	**9,422**	26,481	**155**	(994)
(Loss) / Profit for the year		**(36,693)**	66,827	**8,614**	12,716
Other comprehensive income/ (expense)					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit obligation		**3,741**	(1,758)	**-**	-
Equity investments at FVOCI - net change in fair value		**(6,600)**	1,390	**(5,991)**	2,239
Deferred tax on remeasurement of retirement benefit obligation		**(898)**	422	**-**	-
		(3,757)	54	**(5,991)**	2,239
Items that are or may be reclassified to profit or loss					
Debt investments at FVOCI - net change in fair value		**(5,447)**	(5,990)	**(5,447)**	(5,990)
		(5,447)	(5,990)	**(5,447)**	(5,990)
Other comprehensive expense for the period, net of tax		**(9,204)**	(5,936)	**(11,438)**	(3,751)
Total comprehensive income/(expense) for the year		**(45,897)**	60,891	**(2,824)**	8,965
Earnings/(Loss) Per Share (Rs.)	14	**(0.13)**	0.24	**0.03**	0.04

The Accounting Policies and Notes on page 26 to 72 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March,	Notes	GROUP 2022 Rs.'000	GROUP 2021 Rs.'000	COMPANY 2022 Rs.'000	COMPANY 2021 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	**6,390**	3,680	**-**	-
Intangible assets	16	**563**	895	**-**	-
Right to use Assets	17	**1,663**	3,325	**-**	-
Investments in subsidiary	18	**-**	-	**53,897**	53,897
Other investments	19	**35,481**	47,157	**22,154**	33,221
Deferred tax asset	20	**58,048**	32,194	**619**	464
Total non-current assets		**102,145**	87,251	**76,670**	87,582
Current assets					
Inventories	21	**136,452**	91,326	**-**	-
Trade and other receivables	22	**459,826**	255,478	**20**	20
Amounts due from related companies	23	**46,095**	42,058	**105,312**	99,687
Investment in Fixed Deposit	24	**29,083**	19,125	**-**	-
Income tax recoverable		**607**	11,674	**607**	608
Cash and cash equivalent	25	**24,965**	8,386	**3,754**	1,374
Total current assets		**697,028**	428,047	**109,693**	101,689
Total assets		**799,173**	515,298	**186,363**	189,271
EQUITY AND LIABILITIES					
Equity					
Stated capital	26	**83,000**	83,000	**83,000**	83,000
Reserves	27	**2,704**	14,751	**4,694**	16,132
Retained earnings		**(47,200)**	(13,350)	**95,613**	86,999
Total equity		**38,504**	84,401	**183,307**	186,131
Non-current liabilities					
Interest bearing borrowings-Lease	29	**-**	970	**-**	-
Retirement benefit obligations	30	**8,192**	10,625	**-**	-
Total non-current liabilities		**8,192**	11,595	**-**	-
Current liabilities					
Trade and other payables	31	**558,433**	257,155	**3,056**	3,140
Interest bearing borrowings	28	**135,216**	89,916	**-**	-
Interest bearing borrowings-Lease	29	**970**	939	**-**	-
Income tax payable		**6,263**	-	**-**	-
Amounts due to related companies	32	**21,026**	2,225	**-**	-
Bank overdraft	25	**30,569**	69,067	**-**	-
Total current liabilities		**752,477**	419,302	**3,056**	3,140
Total equity and liabilities		**799,173**	515,298	**186,363**	189,271

The Accounting Policies and Notes on page 26 to 72 form an integral part of these financial statements.

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

N. Musheen
Senior Manager-Finance

The Board of Directors is responsible for the preparation and presentation of these Fianacial Statements.
Approved and Signed for and on behalf of the Board of Directors of Muller & Phipps (Ceylon) PLC.

R.C.A. Welikala
Director

S.W. Gunawardena
Director

29th August 2022
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 at 01st April 2020	83,000	5,000	401	13,950	(78,841)	23,510
Total comprehensive income/(expense) for the year						
Profit for the year	-	-	-	-	66,827	66,827
Other comprehensive expense for the year	-	-	-	(4,600)	(1,336)	(5,936)
Total comprehensive income/(expense) for the year	-	-	-	(4,600)	65,490	60,891
Balance at 01st April 2021	83,000	5,000	401	9,350	(13,350)	84,401
Total comprehensive income/(expense) for the year						
Loss for the year	-	-	-	-	(36,693)	(36,693)
Other comprehensive income/(expense) for the year	-	-	-	(12,047)	2,843	(9,204)
Total comprehensive expense for the year	-	-	-	(12,047)	(33,850)	(45,897)
Balance as at 31st March 2022	83,000	5,000	401	(2,697)	(47,200)	38,504

	Stated capital Rs.'000	General reserve Rs.'000	Capital reserve Rs.'000	Fair value reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
COMPANY						
Balance at 01st April 2020	83,000	5,000	401	14,482	74,283	177,166
Total comprehensive income/(expense) for the year						
Profit for the year	-	-	-	-	12,716	12,716
Other comprehensive expense for the year	-	-	-	(3,751)	-	(3,751)
Total comprehensive income/(expense) for the year	-	-	-	(3,751)	12,716	8,965
Balance at 01st April 2021	83,000	5,000	401	10,731	86,999	186,131
Total comprehensive income/(expense) for the year						
Profit for the year	-	-	-	-	8,614	8,614
Other comprehensive expense for the year	-	-	-	(11,438)	-	(11,438)
Total comprehensive income/(expense) for the year	-	-	-	(11,438)	8,614	(2,824)
Balance as at 31st March 2022	83,000	5,000	401	(707)	95,613	183,307

The Accounting Policies and Notes on page 26 to 72 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 2022 Rs.'000	GROUP 2021 Rs.'000	COMPANY 2022 Rs.'000	COMPANY 2021 Rs.'000
Cash Flows from Operating Activities					
Profit Before Taxation	12	(46,115)	40,346	8,459	13,710
Adjustments for:					
Depreciation on property, plant & equipment	15	1,015	677	-	-
Amortization of intangible assets	16	332	347	-	-
Amortisation on right to use building	17	1,662	1,662	-	-
Gain on lease contract modifications		-	(1,247)	-	-
Provision for retirement benefit obligation	30	2,065	1,714	-	-
Interest expense	11	15,211	29,632	-	-
Interest income	11	(6,394)	(9,504)	(10,515)	(11,807)
Provision for inventories	21	2,104	9,600	-	-
Profit on Sale of property, plant & equipment		(4,750)	-	-	-
Provision for trade receivable	10	(19)	733	-	-
Impairment/ (Reversal of impairment) of other financial assets	10	(452)	(4,784)	(1,012)	(4,605)
Dividend income		(701)	(64)	(701)	(64)
Operating Profit/(Loss) before Working Capital Changes		(32,042)	69,112	(3,769)	(2,766)
(Increase) /decrease in inventories	21	(47,230)	7,767	-	-
(Increase) /decrease in trade & other receivables	22	(204,330)	137,054	-	-
(Increase) /decrease in amount due from related companies	23	(3,272)	5,594	1,317	(2,000)
(Increase) /decrease in amounts due to related companies	32	18,801	(5,485)	-	-
Increase/ (decrease) in trade & other payables	31	301,278	(96,328)	(84)	346
Cash generated from/(Used in) Operations		29,205	117,714	(2,536)	(4,420)
Withholding Tax paid		-	(222)	-	(222)
Interest expense paid	11	(15,024)	(29,313)	-	-
Retiring gratuity paid	30	(757)	(3,627)	-	-
Net cash flows generated from/(used in) Operating Activities		13,424	84,552	(2,536)	(4,642)
Cash Flows from Investing Activities					
Purchase of property, plant & equipment	15	(3,725)	(1,542)	-	-
Proceeds from sale of property, plant & equipment		4,750	-	-	-
Dividend income received	9.1	701	64	701	64
Interest income received	11	4,710	28,885	3,215	28,705
Loan granted to related companies	34.2	(60,000)	(34,500)	(120,000)	(66,567)
Recovery of loan granted to related companies	34.2	61,000	17,000	121,000	17,000
Redemption of debentures		-	25,000	-	25,000
Investment in Fixed Deposit	24	(9,958)	(19,000)	-	-
Net cash flows generated from/(usesd in) Investing Activities		(2,522)	15,907	4,916	4,202
Cash Flows from Financing Activities					
Repayment of long term loan	28.3	(37,500)	(46,537)	-	-
Repayments of short term loan	28.2	82,800	(86,052)	-	-
Repayment of lease liabilities	29	(1,125)	(1,883)	-	-
Net cash flows from/(used in) Financing Activities		44,175	(134,472)	-	-
Increase/(Decrease) in Cash & Cash Equivalent		55,077	(34,013)	2,380	(440)
Cash & Cash Equivalents at the Beginning of the Year		(60,681)	(26,668)	1,374	1,814
Cash & Cash Equivalents at the End of the Year	25	(5,604)	(60,681)	3,754	1,374

The Accounting Policies and Notes on page 26 to 72 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 Group as at and for the year ended 31st March 2022 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 authorized for issue by the Board of Directors on 29 th August 2022.

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 Company. (Refer note no. 38.)

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 2022 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.
- Note 4.2 – Estimation uncertainty in preparation of Financial Statements.
- Note 6.11.2 – measurement of fair value of unquoted investments and debentures.

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 Company 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 Company.

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 33; financial instruments.

4.2. 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 disruption to business arising from the actions by government, business and consumers to contain the spread of the virus.

- The extent and the duration of the expected economic downturn (and forecasts for key economic factors including GDP and inflation). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, impact on unemployment and decline in consumer discretionary spending.
- The effectiveness of government and The Central Bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the Accounting Policies to all periods presented in these Financial Statements.

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. (See Note 5)

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.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The consolidated financial statements (referred to as the 'Group') comprise the financial statements of the Company, its subsidiaries and the Group's interest in equity accounted investees (Associates).

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consolidated financial statements have been prepared for the same reporting period using uniform accounting policies for like transactions/events in similar circumstances and where necessary, appropriate adjustments have been made in the consolidated financial statements.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, the group derecognised assets and liabilities of the subsidiary, any non-controlling interest and the other components of entity related to the subsidiary.

Any surplus or deficit arising on the loss of controls is recognised in changes in equity. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control was lost. Subsequently it is accounted as an equity accounted investee or as FVTPL/FVOCI financial asset depending on the level of influence retained.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognises the resulting gain or loss, if any, 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, contingent liabilities and contingent assets.

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 and reflects the uncertainty related to income taxes, if any.

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.

Evidence that a financial asset is credit-impaired includes the following observable data

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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 Company 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. Cash & Cash Equivalents

Cash and Cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

6.17. 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.

6.18. Comparative figures

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

6.19. 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.

6.20. 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.

6.21. 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

A number of new standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Onerous Contracts - Cost of fulfilling a contract (Amendments to LKAS 37);
- Interest Rate Benchmark Reform - Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4, SLFRS 16);
- Other standards
  - Covid-19 Related Rent Concessions (Amendments to SLFRS 16)
  - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
  - Reference to Conceptual Framework (Amendments to SLFRS 3)
  - Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1)
  - Annual improvements to SLFRS standards 2018 - 2020, which are not effective as at reporting date
  - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
  - Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
  - Definition of Accounting Estimates (Amendments to IAS 8).

NOTES TO THE FINANCIAL STATEMENTS

8. REVENUE

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Pharmaceuticals	**1,064,608**	750,876	**-**	-
Management Fee	**-**	-	**2,000**	2,000
	1,064,608	750,876	**2,000**	2,000

Muller & 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.

9. OTHER OPERATING INCOME / EXPENSES

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
9.1. Other operating income				
Sundry income	**2**	1	**.**	-
Dividend Income	**701**	64	**701**	64
Commission income	**4,162**	10,669	**-**	-
Asset Disposal Profit	**4,750**	-	**-**	-
Gain on lease contract modification	**-**	1,247	**-**	-
	9,615	11,981	**701**	64
9.1.1. Commission income is derived from documentation related services provided to foreign agency.				
9.2. Other operating expenses				
Compensation to staff	**-**	7,453	**-**	-
Penalty & surcharge	**41**	3,969	**-**	-
Provision for inventories	**2,104**	9,600	**-**	-
	2,145	21,022	**-**	-

10. (IMPAIRMENT)/REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Impairment reversal/(loss) on financial assets				
• Reversal/ (impairment) on debt securities	**371**	1,330	**371**	1,330
• Reversal/ (impairment) on amounts due from related companies	**(81)**	3,454	**(641)**	3,275
• Reversal/ (impairment) on trade receivable	**19**	(733)	**-**	-
	309	4,051	**(270)**	4,605

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
11. NET FINANCE INCOME/ (EXPENSES)				
Interest income under the effective interest method on:				
• Amounts due from related parties	4,059	2,441	8,640	5,049
• Call & fixed deposits	461	289	-	-
• Corporate debt securities - at FVOCI (corporate debentures)	1,875	6,758	1,875	6,758
• Staff loans	-	15	-	-
Total Finance income	6,395	9,503	10,515	11,807
Interest expense on financial liabilities measured at amortised cost				
• Interest on trust receipt loan	(8,605)	(12,921)	-	-
• Interest on bank loan	(1,215)	(5,661)	-	-
• Interest on bank overdrafts	(4,980)	(10,682)	-	-
• Interest on lease liabilities	(186)	(319)	-	-
• Interest on Loan from related companies	(225)	(49)	-	-
Net foreign exchange loss	(155,843)	(12,182)	-	-
Total Finance expense	(171,054)	(41,814)	-	-
Net finance expense recognised in profit or loss	(164,659)	(32,311)	10,515	11,807

12. PROFIT BEFORE TAXATION

This is stated after charging all expenses including the following;

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Directors' emoluments	3,384	8,563	1,290	1,133
Auditors' remuneration - Statutory Audit	1,192	1,144	352	320
- Non-audit services	254	270	83	90
Depreciation and amortization	3,009	2,686	-	-
Provision for trade receivable	-	733	-	-
Short-term leases	6,105	6,710	-	-
Staff cost (12.1)	64,028	55,074	-	-

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
12.1. Staff cost				
Salaries & related cost	55,460	47,100	-	-
Defined benefit plan costs - Retiring gratuity	2,065	1,714	-	-
Defined contribution plan costs - EPF and ETF	6,503	6,260	-	-
Total staff cost	64,028	55,074	-	-
Number of employees at year end	69	65	-	-

13. INCOME TAX EXPENSE

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs 000	Rs 000	Rs 000	Rs 000
Current taxation on profit for the year	(12,380)	-	-	-
Economic Service Charge write off	(4,950)	(4,652)	-	-
	(17,330)	(4,652)	-	-
Deferred tax (charge)/ reversal				
(Origination)/ Reversal of temporary differences - Note 20.1	(26,877)	3,282	155	(994)
Recognition of tax effect of previously unrecognized tax losses (Note 20.4)	53,629	27,851	-	-
	26,752	31,133	155	(994)
	9,422	26,481	155	(994)
13.1. Reconciliation accounting profit / (loss) to income tax expense				
Accounting Profit/(loss) before income tax expense	(46,115)	40,346	8,459	13,710
Inter - company eliminations	(560)	(179)	-	-
	(46,675)	40,167	8,459	13,710
Non business income - gross	(815)	(64)	(701)	(64)
Aggregate disallowable expenses	168,492	63,240	270	-
Allowable expenses	(55,217)	(40,995)	-	(4,605)
Taxable income of the business	65,786	62,348	8,028	9,041
Tax Loss claimed during the year (Note13.2)	(14,201)	(62,348)	(8,028)	(9,041)
Taxable income	51,584	-	-	-
Income tax charged				
Income tax @ 24%	12,380	-	-	-
Current tax expenses	12.380	-	-	-

For the year ended 31st March,	GROUP 2022 Rs 000	GROUP 2021 Rs 000	COMPANY 2022 Rs 000	COMPANY 2021 Rs 000
13.2. Reconciliation of tax loss				
Tax loss brought forward	**72,820**	135,168	**66,647**	75,688
Tax Loss claimed during the year	**(14,201)**	(62,348)	**(8,028)**	(9,041)
Tax loss carried forward	**58,619**	72,820	**58,619**	66,647

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

For the year ended 31st March,	GROUP 2022 Before Tax	GROUP 2022 Tax Effect	GROUP 2022 Net of Tax	GROUP 2021 Before Tax	GROUP 2021 Tax Effect	GROUP 2021 Net of Tax
Acturial gain/(losses) on Retirement benefit obligation	3,741	(898)	2,843	(1,758)	422	(1,336)

13.4. As per the latest amendments to Inland Revenue Department Act No. 24 of 2017 reading together with Institute of Chartered Accountants of Sri Lanka (ICASL) guideline on application of tax rates, the tax rate given in the Inland Revenue (Amendment) Act No.10 of 2021 has been considered as at reporting date for current tax and deferred tax computations for the year ended 31st March 2022. Accordingly, Group is liable to an income tax rate of 24% for the year ended 31st March 2022.

14. EARNINGS/ (LOSS) PER SHARE

The calculation of earnings/ (loss) 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 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Profit/ (loss) after tax attributable to ordinary Shareholders (Rs.'000)	**(36,693)**	66,827	**8,614**	12,716
Weighted average number of ordinary shares in issue ('000)	**283,000**	283,000	**283,000**	283,000
Basic earnings/ (loss) per share (Rs.)	**(0.13)**	0.24	**0.03**	0.04

15. PROPERTY, PLANT AND EQUIPMENT

15.1. Group

	Motor vehicles Rs.'000	Computers and software Rs.'000	Furniture and fittings Rs.'000	Office equipment Rs.'000	Total Rs.'000
Cost					
Balance as at 1st April 2020	3,775	7,992	2,077	1,906	15,750
Additions	-	320	688	534	1,542
Balance at 31st March 2021	3,775	8,312	2,765	2,440	17,292
Balance as at 1st April 2021	3,775	8,312	2,765	2,440	17,292
Additions	-	3,667	58	-	3,725
Disposals	(3,475)	-	-	-	(3,475)
Balance at 31st March 2022	300	11,979	2,823	2,440	17,542
Accumulated depreciation					
Balance as at 1st April 2020	3,774	6,689	1,223	1,249	12,935
Depreciation	1	281	164	231	677
Disposals	-	-	-	-	-
Balance at 31st March 2021	3,775	6,970	1,387	1,480	13,612
Balance as at 1st April 2021	3,775	6,970	1,387	1,480	13,612
Disposals	(3,475)	-	-	-	(3,475)
Depreciation	-	667	133	215	1,015
Balance at 31st March 2022	300	7,637	1,520	1,695	11,152
Carrying amounts					
At 1st April 2020	1	1,303	854	657	2,815
At 31st March 2021	-	1,342	1,378	960	3,680
At 31st March 2022	-	4,342	1,303	745	6,390

Property, plant and equipment included fully depreciated assets that are still in use having a gross amount of Rs. 14.5 million as at 31st March 2022 (2020/21 - Rs. 12.6 million).

15.2. Company

	Motor vehicle	Computers and software	Furniture and fittings	Office equipment	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost					
Balance as at 1st April 2020	300	814	378	54	1,546
Additions	-	-	-	-	-
Balance at 31st March 2021	300	814	378	54	1,546
Balance as at 1st April 2021	300	814	378	54	1,546
Additions	-	-	-	-	-
Balance at 31st March 2022	300	814	378	54	1,546
Accumulated depreciation					
Balance as at 1st April 2020	300	814	378	54	1,546
Depreciation	-	-	-	-	-
Balance at 31st March 2021	300	814	378	54	1,546
Balance as at 1st April 2021	300	814	378	54	1,546
Depreciation	-	-	-	-	-
Balance at 31st March 2022	300	814	378	54	1,546
At 1st April 2020	-	-	-	-	-
At 31st March 2021	-	-	-	-	-
At 31st March 2022	-	-	-	-	-

Property, plant and equipment included fully depreciated assets that are still in use having a gross amount of Rs. 1.5 million at 31st March 2022 (2020/21 - Rs. 1.5 million.)

16. INTANGIBLE ASSETS

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Computer Software				
Cost				
Balance at the beginning of the year	2,424	2,424	-	-
Balance at the end of the year	2,424	2,424	-	-
Amortization				
Balance at the beginning of the year	1,529	1,182	-	-
Amortisation	332	347	-	-
Balance at the end of the year	1,861	1,529	-	-
Carrying Amount				
At the end of the year	563	895	-	-

17. RIGHT OF USE ASSETS

17.1. Movement during the year

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
Balance as at beginning of the year	7,465	9,911	-	-
Adjustment for SLFRS 16 Modification		(2,446)	-	-
Balance at the end of the year	7,465	7,465	-	-
Amortization				
Balance as at beginning of the year	4,140	2,478	-	-
Charge for the year	1,662	1,662	-	-
Balance at the end of the year	5,802	4,140	-	-
Carrying Amount				
At the end of the year	1,663	3,325	-	-

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.

For the year ended 31st March,	GROUP 2022 Rs.'000	GROUP 2021 Rs.'000	COMPANY 2022 Rs.'000	COMPANY 2021 Rs.'000
17.2. Amounts recognised in profit or loss				
Amortisation expense of right-of-use assets	**1,662**	1,662	-	-
Interest on lease liabilities	**186**	319	-	-
17.3. Amounts recognised in statement of cash flows				
Repayment of lease liabilities	**(1,125)**	(1,883)	-	-

18. INVESTMENTS IN SUBSIDIARY

	Principle place of Business / Country of incorporation	Number of Shares	Company Holding	Group Holding	COMPANY 2022 Rs.'000	COMPANY 2021 Rs.'000
18.1. Investments in subsidiary						
Pettah Pharmacy (Private) Limited	No. 98, Sri Sangaraja Mawatha, Colombo 10/ 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 a loss in current year 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 - 15% average annual growth over first 5 years.
Discount Rate – Weighted average cost of capital rate 20%
Terminal Growth Rate – Based on the business plan 3%

19. OTHER FINANCIAL ASSETS - NON CURRENT

For the year ended 31st March,	Notes	GROUP 2022 Rs.'000	GROUP 2021 Rs.'000	COMPANY 2022 Rs.'000	COMPANY 2021 Rs.'000
Non-current investments					
Equity securities - at FVOCI	19.1	**20,768**	27,368	**7,441**	13,432
Corporate debt securities - FVOCI	19.2	**14,713**	19,789	**14,713**	19,789
		35,481	47,157	**22,154**	33,221

19.1. Equity securities

	GROUP Cost Rs.'000	GROUP 2022 Value Rs.'000	GROUP 2021 Value Rs.'000	COMPANY Cost Rs.'000	COMPANY 2022 Value Rs.'000	COMPANY 2021 Value Rs.'000
Hemas Holdings PLC (161,053 Shares)	8,152	**7,441**	13,432	8,152	**7,441**	13,432
Dutch Dairy International (Private) Limited	5,400	**5,400**	5,400	5,400	**5,400**	5,400
Beruwela Resorts PLC (30,000 shares)	45	**27**	24	-	**-**	-
Colombo Fort Hotels Limited (1,275,200 Shares)	31,880	**13,300**	13,912	-	**-**	-
Provision for fall in value of investment	-	**(5,400)**	(5,400)	-	**(5,400)**	(5,400)
	45,477	**20,768**	27,368	13,552	**7,441**	13,432

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 Hotels 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 Hotels Limited by Pettah Pharmacy (Private) Limited reduced from 31,880,000 to 1,275,200.

3) No strategic investments were disposed during 2021/22, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

19.2. Corporate debt securities

	GROUP Cost Rs.'000	GROUP 2022 Value Rs.'000	GROUP 2021 Value Rs.'000	COMPANY Cost Rs.'000	COMPANY 2022 Value Rs.'000	COMPANY 2021 Value Rs.'000
Kotagala Plantations PLC (Note 19.2.1)	25,000	**14,713**	19,789	25,000	**14,713**	19,789
	25,000	**14,713**	19,789	25,000	**14,713**	19,789

19.2.1. 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.

The Rated Secured Redeemable Debenture Type C and Type D issued by Kotagala Plantations PLC in terms of the Trust Deed dated 5 May 2014 was restructured with the requisite consent of the Debenture Holders of Kotagala Plantations PLC at a meeting convened by the Trustees on 17 September 2020. The Term Sheet for the restructured Rated Secured Redeemable Debentures Type C and Type D applicable for the Company which is Related Party of Kotagala Plantations PLC are as follows:

Tenor of Debenture for Related party	: 6 years starting from 1 September 2020.
Coupon Rate	: 7.5% per annum
Redemption of Debentures for Related party	: Equal monthly capital repayment starting from 31st August 2025.

Category	No. of debentures	Year of issue	Interest rate	Date of Maturity
Type C (Restructured)	125,000	2014	7.5%	31st August 2026
Type D (Restructured)	125,000	2014	7.5%	31st August 2026

19.2.2. Movement during the year

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Fair value of the debenture as at 01st April	**19,789**	24,449	**19,789**	24,449
Recognized in Other comprehensive income				
• Increase/(decrease) in fair value	**(5,076)**	(4,660)	**(5,076)**	(4,660)
• Impairment/(reversal) of impairment provision	**(371)**	(1,330)	**(371)**	(1,330)
Recognised in Profit or Loss				
• (Impairment)/reversal of impairment provision	**371**	1,330	**371**	1,330
Fair value of the debenture as at 31st March	**14,713**	19,789	**14,713**	19,789

20. DEFERRED TAX ASSETS

20.1. Deferred tax asset

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	32,194	639	464	1,458
Origination or reversal of temporary difference	(26,877)	3,373	155	(786)
Reduction in tax rate	-	(91)	-	(208)
Recognition of previously unrecognised tax losses	53,629	27,851	-	-
Origination and reversal of temporary difference recognised in Other Comprehensive Income	(898)	422	-	-
Balance at the end of the year	58,048	32,194	619	464

20.2. Composition of deferred tax assets/ (Liabilities)

	2022		2021	
	Temperory difference	Tax effect	Temperory difference	Tax effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company				
On provision for other receivable	886	213	886	212
On provision for related party receivables impairment	1,690	406	1,049	252
	2,576	619	1,935	464
Group				
On property, plant and equipment	(2,302)	(552)	(2,142)	(514)
On carried forward tax losses	-	-	6,173	1,482
On carried forward unclaimed finance cost	223,456	53,629	109,873	26,369
On retirement benefit obligation	8,192	1,966	10,625	2,550
On provision for trade and other receivable	886	213	886	213
On provision for related party receivable	622	149	541	130
On Right of use Assets	(693)	(166)	(1,416)	(340)
On provision for inventory	11,704	2,809	9,600	2,304
	241,865	58,048	134,140	32,194

According to the revised Inland Revenue Act No 10 of 2021, effective tax rate applicable for the Group is 24%. (2021 -24%)

20.3. Unrecognised deferred tax assets

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

	COMPANY			
	2022		2021	
	Temperory difference	Tax effect	Temperory difference	Tax effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
On carried forward tax losses	58,619	14,069	66,647	15,995
Unrecognised deferred tax assets	58,619	14,069	66,647	15,995

	GROUP			
	2022		2021	
	Temperory difference	Tax effect	Temperory difference	Tax effect
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
On carried forward tax losses	58,619	14,069	66,647	15,995
Unrecognised deferred tax assets	58,619	14,069	66,647	15,995

21. INVENTORIES

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trading Stocks	148,156	100,926	-	-
Less: Provision for inventories (Note 21.1)	(11,704)	(9,600)	-	-
	136,452	91,326	-	-
21.1. Provision for inventories				
Balance as at beginning of the year	9,600	15,752	-	-
Provision during the year	2,104	9,600	-	-
Provision written off	-	(15,752)	-	-
Balance as at end of the year	11,704	9,600	-	-

Inventories pledged as securities in obtaining loan are disclosed in Note 28.3

In 2021/2022, inventories of Rs.835,235,556/- (2020/21 : Rs.562,472,643/-) were recognised as an expense and included in 'cost of sales'.

22. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Trade receivables	302,177	125,305	-	-
Impairment loss for trade receivables	(1,101)	(1,119)	-	-
	301,076	124,185	-	-
Reimbursements due from principals	105,184	123,179	-	-
Commission income recievable	-	7,068	-	-
Other receivables, deposits and prepayments (Note 22.1)	54,452	1,931	906	906
Impairment loss for other receivables	(886)	(886)	(886)	(886)
	459,826	255,478	20	20
22.1. Other receivables, deposits and prepayments				
Prepayments	2,695	785	-	-
Advances - non-financial assets	50,787	176	-	-
Deposits	906	906	906	906
Other receivables	64	64	-	-
	54,452	1,931	906	906

Reimbursements due from principals reflect, selling and distribution costs to be reimbursed by Janssen and Alliance to Pettah Pharmacy (Private) Limited.

23. AMOUNTS DUE FROM RELATED COMPANIES

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
23.1. Related party loan receivable				
23.1.1. Parent				
E.B. Creasy & Co PLC	42,186	39,500	42,186	39,500
Less :Impairment provision	(473)	(372)	(473)	(372)
	41,713	39,128	41,713	39,128
23.1.2. Subsidiary				
Pettah Pharmacy (Private) Limited	-	-	60,000	52,904
Less :Impairment provision	-	-	(1,068)	(508)
	-	-	58,932	52,396

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
23.2. Related party current account balance receivable				
23.2.1. Parent				
E.B. Creasy & Co PLC	2,755	1,830	-	1,830
	2,755	1,830	-	1,830
23.2.2. Subsidiary				
Pettah Pharmacy (Private) Limited	-	-	3,993	5,508
	-	-	3,993	5,508
23.2.3. Other				
York Hotel Management Services Limited	120	120	120	120
Less :Impairment provision	(120)	(120)	(120)	(120)
Darley Butler & Company Ltd	953	275	-	-
Less :Impairment	-	-	-	-
Kotagala Plantations PLC	703	874	703	874
Less :Impairment provision	(29)	(49)	(29)	(49)
	1,627	1,100	674	825
	46,095	42,058	105,312	99,687

Loans given to related parties are subjected to AWPLR + 2% interest rate

24. OTHER FINANCIAL ASSETS - CURRENT

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Investment in fixed deposit	**29,024**	19,000	-	-
Interest receivable	**59**	125	-	-
	29,083	19,125	-	-

25. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
For the year ended 31st March,	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash in hand	**136**	176	-	-
Cash at bank	**24,829**	8,210	**3,754**	1,374
Cash and cash equivalents in the statement of financial position	**24,965**	8,386	**3,754**	1,374
Bank overdrafts repayable on demand and used for cash management purposes	**(30,569)**	(69,067)	-	-
Cash and cash equivalents in the statement of cash flows	**(5,604)**	(60,681)	**3,754**	1,374

26. STATED CAPITAL

	GROUP		COMPANY	
	2022	2021	2022	2021
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000
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.

27. RESERVES

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Capital reserves	**401**	401	**401**	401
Revenue reserves				
General reserves (Note 27.1)	**5,000**	5,000	**5,000**	5,000
Fair value reserves (Note 27.2)	**(2,697)**	9,350	**(707)**	10,731
	2,704	14,751	**4,694**	16,132

27.1. General Reserve is the reserve set aside for the general purpose.

27.2. 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.

28. LOANS AND BORROWINGS

28.1. Amount Payable Within One Year

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Long Term Loans (28.2)	-	37,500	-	-
Trust receipt loans	**135,216**	52,416	-	-
	135,216	89,916	-	-

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.

28.2. Long Term Loan

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
At the beginning of the Year	**37,500**	84,037	-	-
Repayment during the Year	**(37,500)**	(46,537)	-	-
Balance at the end of the Year	-	37,500	-	-
Loan Repayable within One Year	-	37,500	-	-
Loan Repayable after One Year	-	-	-	-

28.3. Terms and repayment schedule

Lender	Facility	Security	Terms of repayment	Interest Rate	Balance on 31.03.2022 Rs.000	Balance on 31.03.2021 Rs.000
Term Loans						
Hatton National Bank PLC	Term Loan Facility of Rs.90Mn	Letter of Awareness from Muller & Phipps (Ceylon) PLC	To be repaid in 24 equal Monthly instalments of Rs. 3.75 Mn.	AWPLR + 1.5% (Monthly review)	-	37,500
Trust receipt loans						
Hatton National Bank PLC	Revolving Trust Receipt Loan of Rs.300 Mn	Primary Floating Mortgage bond for Rs.450 Mn over stock of pharmaceuticals and an assignment of book debts.	Each loan should be repaid in a maximum period of 180 days	AWPLR + 1.00% (weekly review)	35,619	52,416
National Development Bank PLC	Revolving Trust Receipt Loan of Rs.100 Mn	Primary Floating Mortgage bond for Rs.160 Mn over stock and an assignment of book debts.	Each loan should be repaid in a maximum period of 120days	10.75% p.a and adjusted periodically whenever necessary	21,900	-
Union Bank of Colombo PLC	Revolving Trust Receipt Loan of Rs.50 Mn	Primary Floating Mortgage Bond for Rs.50.0Mn over stocks and assignment over book debts.	Out of own cashflows	AWPLR + 2.50% p.a with a floor rate 12% (AWPLR to be fixed monthly)	77,697	-
					135,216	52,416

29. LEASE LIABILITIES

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
At the beginning of the Year	1,909	7,166	-	-
Adjustment for SLFRS 16 Modification	-	(3,693)		
Repayment during the Year	(1,125)	(1,883)	-	-
Interest Expense	186	319	-	-
Balance at the end of the Year	970	1,909	-	-
Payable within one year	970	939	-	-
Payable after one year	-	970	-	-

30. RETIREMENT BENEFIT OBLIGATIONS

	GROUP	
	2022	2021
	Rs.'000	Rs.'000
Present value of the unfunded retirement benefit obligation	8,192	10,625
	8,192	10,625
30.1. Retirement benefit obligation		
At the Beginning of the Year	10,625	10,780
Current service cost	820	1,154
Interest cost	1,246	560
Re-measurement of retirement benefit obligation	(3,741)	1,758
Benefits paid	(757)	(3,627)
At the end of the year	8,192	10,625
30.2. Expenses recognised in the statement of profit or loss		
Current service cost	820	1,154
Interest cost	1,245	560
	2,065	1,714
30.3. Re-measurement of retirement benefit obligation recognised in other comprehensive income		
Re-measurement of retirement benefit obligation	(3,741)	1,758
	(3,741)	1,758

30.4. 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	
	2022	2021
	Rs.'000	Rs.'000
Effect on the defined benefit obligation liability		
Increase by one percentage point in discount rate	(265)	(293)
Decrease by one percentage point in discount rate	286	316
Effect on the defined benefit obligation liability;		
Increase by one percentage point in salary increment rate	291	305
Decrease by one percentage point in salary increment rate	(274)	(289)

30.5. The Key Actuarial Assumptions

The subsidiary; Pettah Pharmacy (Private) Limited applies 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 key assumptions were made in arriving at the retirement benefit obligation as at 31st March 2022 are stated below:

	2022	2021
Discount Rate	13.0%	7.5%
Salary Increment Rate	10%	10%
Retirement Age	60 years	55 Years
Staff Turnover Ratio	10%	10%

30.6. Discount rate change

LKAS 19 requires the risk discount rate to be based on the market yield of high quality Corporate bonds (AA and above) of similar duration to the liability The increase in the discount rate is due to the increase in yield of the matching Government Bonds for the given duration of the liability as at the reporting date Assumptions regarding valuation of the retirement benefits based on published statistics. The discount rate has been changed compared to previous year, in order to reflect the current market conditions.

31. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Bills payable	550,347	251,099	-	-
Accrued expenses	6,198	3,909	1,168	1,239
Dividends payable	1,862	1,862	1,862	1,862
Other payables	26	285	26	39
	558,433	257,155	3,056	3,140

32. AMOUNTS DUE TO RELATED COMPANIES

	GROUP		COMPANY	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
E.B. Creasy & Co. PLC	14,660	1,671	-	-
Darley Butler & Company Limited	6,015	554	-	-
E.B. Creasy Logistics Limited	351	-	-	-
	21,026	2,225	-	-

33. FINANCIAL INSTRUMENTS -FAIR VALUES AND RISK MANAGEMENT

33.1. Fair value measurement

33.1.1. 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.

33.1.2. Transfer between Levels of Fair Value Hierarchy

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

33.1.3. Valuation techniques and significant unobservable inputs

The following tables summarises the valuation techniques used by the Group and the Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used for the valuation.

33.1.4. Assets measured at fair value

Assets	Valuation technique	Significant unobservable inputs
Unquoted Corpoprate debt securities securities	The value of the bond was based on the present values of all the coupon payments and the final redemption amount, discounted at the required rate of return. Required rate of return was based on the risk free rate and current market interest rates linked to the AWPLR.	Corporate bond yield 20%
Unquoted equity securities	Net assets basis	Net Asset values of unquoted equity securities Colombo Fort Hotels Limited
Quoted equity securities	Market Return on a comparable investments	Current market share price

33.1.5. 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 2022 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	-	7,468	-	7,468	7,468	-	-	7,468
Equity securities - unquoted	-	13,300	-	13,300	-	-	13,300	13,300
Debt securities	-	14,713	-	14,713	-	14,713	-	14,713
	-	35,481	-	35,481	7,468	14,713	13,300	35,481
Financial assets not measured at fair value								
Trade and other receivables **	406,344	-	-	406,344	-	-	-	-
Amounts due from related companies	46,095	-	-	46,095	-	-	-	-
Investment in fixed deposit	29,083	-	-	29,083	-	-	-	-
Cash and cash equivalents	24,965	-	-	24,965	-	-	-	-
	506,488	-	-	506,488				
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	556,060	556,060	-	-	-	-
Interest bearing borrowings	-	-	135,216	135,216	-	-	-	-
Lease Liability			970	970	-	-	-	-
Amounts due to related companies	-	-	21,025	21,025	-	-	-	-
Bank overdrafts	-	-	30,569	30,569	-	-	-	-
	-	-	743,839	743,839	-	-	-	-

** Trade and other receivables that are not financial assets (Prepayments; Rs. 2,695,278/-, advances; Rs.50,786,844/-) are not included.

* Trade and other payables that are not financial liabilities (Statutory liabilities; Rs.1,204,283/-, Accrued expenses Rs.1,167,943/-) are not included.

Group

At 31st March 2021 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	-	13,456	-	13,456	13,456	-	-	13,456
Equity securities - unquoted	-	13,912	-	13,912	-	-	13,912	13,912
Debt securities	-	19,789	-	19,789	-	19,789	-	19,789
	-	47,157	-	47,157	13,456	19,789	13,912	47,157
Financial assets not measured at fair value								
Trade and other receivables **	254,218	-	-	254,218	-	-	-	-
Amounts due from related companies	42,058	-	-	42,058	-	-	-	-
Investment in fixed deposit	19,125	-	-	19,125	-	-	-	-
Cash and cash equivalents	8,386	-	-	8,386	-	-	-	-
	324,087	-	-	324,087	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	254,856	254,856	-	-	-	-
Interest bearing borrowings	-	-	89,916	89,916	-	-	-	-
Lease Liability	-	-	1,909	1,909	-	-	-	-
Amounts due to related companies	-	-	2,225	2,225	-	-	-	-
Bank overdrafts	-	-	69,067	69,067	-	-	-	-
	-	-	417,973	417,973	-	-	-	-

** Trade and other receivables that are not financial assets (Prepayments; Rs. 784,930/-, advances Rs.176,230/-) are not included.

* Trade and other payables that are not financial liabilities (Statutory tax liabilities; Rs.1,060,986/-, Accrued expenses Rs.1,239,238/-) are not included.

Company

At 31st March 2022 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	-	7,441	-	7,441	7,441	-	-	7,441
Debt securities	-	14,713	-	14,713	-	14,713	-	14,713
	-	22,154	-	22,154	7,441	14,713	-	22,154
Financial assets not measured at fair value								
Trade and other receivables	20	-	-	20	-	-	-	-
Amounts due from related companies	105,312	-	-	105,312	-	-	-	-
Cash and cash equivalents	3,754	-	-	3,754	-	-	-	-
	109,086	-	-	109,086	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	1,888	1,888	-	-	-	-
	-	-	1,888	1,888	-	-	-	-

* Trade and other payables that are not financial liabilities (Accrued expenses Rs.1,167,943/-) is not included.

Company

At 31st March 2021 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	-	13,432	-	13,432	13,432	-	-	13,432
Debt securities	-	19,789	-	19,789	-	19,789	-	19,789
	-	33,221	-	33,221	13,432	19,789	-	33,221
Financial assets not measured at fair value								
Trade and other receivables	20	-	-	20	-	-	-	-
Amounts due from related companies	99,687	-	-	99,687	-	-	-	-
Cash and cash equivalents	1,374	-	-	1,374	-	-	-	-
	101,081	-	-	101,081	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables *	-	-	1,901	1,901	-	-	-	-
	-	-	1,901	1,901	-	-	-	-

* Trade and other payables that are not financial liabilities (Accrued expenses Rs.1,239,238/-) is not included.

33.2. Risk Management

Overview

The Company 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.

33.2.1. 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	Note	GROUP 2022 Rs.'000	GROUP 2021 Rs.'000	COMPANY 2022 Rs.'000	COMPANY 2021 Rs.'000
Exposure to credit risk					
Other investments	19	**28,040**	33,701	**22,154**	19,789
Trade and other receivables	22	**406,345**	254,518	**20**	20
Amount due from related companies	23	**46,095**	42,058	**105,312**	99,687
Investment in Fixed Deposit	24	**29,083**	19,125	**-**	-
Cash at bank	25	**24,829**	8,210	**3,754**	1,374
Total		**534,391**	357,611	**131,240**	120,871

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

For the year ended 31st March,	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Expected loss (allowance) - trade and other receivables	19	(733)	-	-
Expected loss (allowance) - related parties	(81)	3,454	(641)	3,275
Expected loss (allowance) - debt securities	371	1,330	371	1,330
	309	4,051	(270)	4,605

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 31 March 2022, the exposure to credit risk for trade receivables by type of counterparty was as follows.

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Distributors	39,498	83,879	-	-
Government Institutions	255,013	32,316	-	-
Institutions	7,666	9,110	-	-
	302,177	125,305	-	-

The ageing of trade recievables as at 31st March 2022 is as follows.

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Past due 1-30 days	18,433	83,560	-	-
Past due 31-90 days	72,121	40,730	-	-
Past due 91-120 days	210,643	-	-	-
Past due 121-365 days	980	1,015	-	-
Total trade receivables	302,177	125,305	-	-

Impaired other receivables at 31 March 2022 had a gross carrying amount of Rs.886,000/- (2020/21 -Rs.886,000/-)

Expected credit loss assessment for trade and other receivables as at 31 March 2022

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

The following table provides information about the exposue to credit risk and ECLs for trade and other receivables as at 31 March 2022.

	GROUP		GROUP	
	2022		2021	
Rs.000	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Past due 1-30 days	18,433	-	83,560	-
Past due 31-90 days	72,121	87	40,730	104
Past due 91-120 days	210,643	34	-	-
Past due 121-365 days	980	980	1,015	1,015
	302,177	1,101	125,305	1,119

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	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1st April	2,005	1,272	886	886
Provision for the year	(19)	733	-	-
At 31st March	1,986	2,005	886	886

Amounts due from related parties

Impairment on amounts due from related parties 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	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At 1st April	540	3,994	1,048	4,323
Provision for the year	81	(3,454)	641	(3,275)
At 31st March	621	540	1,689	1,048

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

	FAIR VALUE	
	2022	2021
	Rs.000	Rs.000
Balance at 1st April	19,789	24,449
Net change in fair value	(5,076)	(4,660)
Balance at 31st March	14,713	19,789

	LIFETIME ECL - NOT CREDIT IMPAIRED	
	2022	2021
	Rs.000	Rs.000
Credit rating CC - C	25,610	25,098
Gross carrying amounts at amortised cost:	25,610	25,098
Loss allowance	(10,270)	(10,641)
Amortised cost	15,340	14,457
Carrying amount - at FVOCI	14,713	19,789

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

	LIFETIME ECL - NOT CREDIT IMPAIRED	
	2022	2021
	Rs.000	Rs.000
Balance at 1st April	10,641	11,971
Financial assets derecognised	-	-
Net remeasurement of loss allowance	(371)	(1,330)
Balance at 31st March	10,270	10,641

Cash and Cash equivalents

The group held cash and cash equivalents favorable balance of Rs. 24.9 Mn, unfavorable balance of Rs. 30.5 Mn and Fixed deposit of Rs. 29 Mn as at 31st March 2022 (2021- Favorable balance of Rs. 8.2 Mn, unfavorable balance of Rs. 69 Mn and Fixed deposit Rs. 19 Mn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which group cash balances held areas follows;

Hatton National Bank PLC - AA-(lka)
Standard Chartered Bank - AAA(lka)
Commercial Bank of Ceylon PLC - AA-(lka)
National Development Bank PLC - A(lka)
Union Bank of Colomno PLC - BBB-(lka)
Amana bank PLC - BB+ (lka)
Bank of Ceylon - CCC(lka)

33.2.2. Liquidity Risk

Liuqidity Risk is the risk that the Group will encounter diffficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables continuously. The subsidiary company, Pettah Pharmacy (Pvt) Ltd has a revolving receivable financing facility of Rs. 20Mn to discount postdated cheques of dealers approved by the bank. In addition, there are revolving import and overdraft facilities for its operations.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding of netting agreements.

As at 31 March 2022,	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	135,216	135,216	135,216	-	-	-	-	-
Lease Liability	970	1,032	1,032	-	-	-	-	-
Trade & other payables	556,060	556,060	556,060	-	1,888	1,888	1,888	-
Bank Overdraft	30,569	30,569	30,569	-	-	-	-	-
Total	722,815	722,877	722,877	-	1,888	1,888	1,888	-

As at 31 March 2021,	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	89,916	92,629	92,629	-	-	-	-	-
Lease Liability	1,909	2,105	2,105	-	-	-	-	-
Trade & other payables	254,856	254,856	254,856	-	1,901	1,901	1,901	-
Bank Overdraft	69,067	69,067	69,067	-	-	-	-	-
Total	415,748	418,657	418,657	-	1,901	1,901	1,901	-

33.2.3. 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 optimizing the returns.

33.2.3.1. 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 2022	USD Exposure Rs.'000
Financial Assets	105,184
Financial Liabilities	(550,347)
Net Exposure	(445,163)

The following table illustrates the sensitivity of profit in regards to the Group's financial liabilities and the LKR/USD exchange rate 'all other things being equal'. It assumes a +/-25% change of the LKR/USD exchange rate for the year ended at 31 March 2022.

If the LKR had strengthened against the USD 25% then this would have had the following impact:

	Profit for the Year Rs.'000
31st March 2022	111,291

If the LKR had weakened against the USD by 25% then this would have had the following impact:

	Profit for the Year Rs.'000
31st March 2022	(111,291)

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.

33.2.3.2. 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 in a material interest rate risk.

The Subsidiary; Pettah Pharmacy (Private) 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 +/-8% 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
	+8%	-8%
31st March 2022	(57,291)	57,291

34. RELATED PARTY TRANSACTIONS

34.1. 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.

34.1.1. Loans to Directors

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

34.1.2. Key Management Personnel Compensation

	GROUP		COMPANY	
	2022	2021	2022	2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Key Management Personnel Compensation	**3,384**	8,563	**1,290**	1,133

34.2. Related Party Transactions

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

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 2022 by the Parent and its Subsidiary.

34.2.1. Relataed Party Transactions carried out by the Company

Name of the Company	Name of Directors	Nature of Transactions	Terms of the transaction	Transaction Value Rs'000	Outstanding Balance as at 31.03.2022 Rs'000	Outstanding Balance as at 31.03.2021 Rs'000
Pettah Pharmacy (Private) Limited (Subsidiary Company)	S.D.R. Arudpragasam	Loan granted	Short Terms	60,000	**52,904**	52,904
	Late P. Pathmarajah *(Resigned w.e.f. 30.06.2021/ deceased on 20.07.2021)*	Loan Settlement	Short Terms	(60,000)		
	R.N.Bopearatchy					
	R.C.A. Welikala	Interest Income	Market Terms	4,581	**11,090**	5,509
	P.M.A.Sirimane					
	A.R.Rasiah	Management Fee	Contractual Payment	2,000		
	S.N.P.Palihena	Management fee Received		(1,000)		
	A.M. Mubarak					
	S. Rajaratnam *(Appointed w.e.f. 10.06.2021)*					
	S. W. Gunawardena *(Appointed w.e.f. 10.06.2021)*					
E.B.Creasy & Company PLC (Parent Company)	S.D.R. Arudpragasam	Loan granted	Short Terms	60,000	**38,500**	39,500
	R.N.Bopearatchy	Loan Settlement	Short Terms	(61,000)		
	R.C.A.Welikala					
	P.M.A.Sirimane	Interest Income	Market Terms	4,058	**3,685**	1,829
	A.R.Rasiah	Interest Received	Market Terms	(2,202)		
	S.N.P.Palihena					
	A.M. Mubarak					
	S. Rajaratnam					
	S.W. Gunawardena					
Kotagala Plantations PLC (Group Company)	S.D.R. Arudpragasam	Interest Income	Market Terms	2,029	**856**	874
		Interest Received	Market Terms	(2,047)		

34.2.2. Relataed Party Transactions carried out by the Subsidiary

Name of the Company	Name of Directors	Nature of Transactions	Terms of the transaction	Transaction Value Rs'000	Outstanding Balance as at 31.03.2022 Rs'000	Outstanding Balance as at 31.03.2021 Rs'000
E.B.Creasy & Company PLC (Intermediate Parent Company)	S.D.R. Arudpragasam	Rent expenses	Contractual Payment	(1,701)	(13,707)	(1,671)
	R.N.Bopearatchy	Re-imbursement of expenses	Percentage of revenue	(14,127)		
	R.C.A.Welikala	Loan	Short Terms	-		
	P.M.A.Sirimane	Expenses	Contractual Payment	(225)		
	A.R.Rasiah	Settlements during the Year		4,017		
	S.N.P.Palihena					
	A.M. Mubarak					
	S. Rajaratnam					
	S.W. Gunawardena					
Darley Butler & Company Ltd (Group Company)	S.D.R. Arudpragasam	Re-imbursement of expenses	Market Terms	2,755	(3,259)	(279)
	R.N.Bopearatchy	Storage expenses	Market Terms	(6,015)		
	R.C.A.Welikala	Settlements during the Year		279		
	P.M.A.Sirimane					
	A.R.Rasiah					
	S.N.P.Palihena					
	A.M. Mubarak					
	S. Rajaratnam					
	S.W. Gunawardena					
E.B.Creasy Logistics Ltd (Group Company)	S.D.R. Arudpragasam	Clearing charges	Market Terms	(4,610)	(351)	-
	R.N.Bopearatchy	Settlements during the Year		4,260		
	R.C.A.Welikala					
	P.M.A.Sirimane					
	S. Rajaratnam					
	S. W. Gunawardena					

Mr. S. Rajaratnam and Mr. S.W. Gunawardena were appointed to the Board of Muller & Phipps (Ceylon) PLC with effect from 15th June 2021. The said Directors were also appointed to the Board of Pettah Pharmacy (Pvt) Ltd with effect from 10th June 2021.

Late Mr. P. Pathmarajah resigned from the Boards of Muller & Phipps (Ceylon) PLC and Pettah Pharmacy (Pvt) Ltd with effect from 30th June 2021. He passed away on 20.07.2021.

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

This Note should be read in conjunction with Note No. 23 and 32 to the Financial Statements.

34.2.3. 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 2022 audited financial statements, which require additional disclosure in the 2021/2022 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.

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 other than those disclosed below.

The company made an assessment on the implications by the Surcharge Tax as per the requirements of the Surcharge Tax Act No 14 of 2022 and concluded that the Company do not need the taxable income threshold criteria and thereby no surcharge tax liability arises accordingly.

In terms of the powers vested under Section 2A of the Value Added Tax Act, No. 14 of 2002 (as amended), the rate of Value Added Tax will be increased from 8% to 12% with effect from June 01, 2022.Therefore, all goods and services liable to Value Added Tax at 8% will be liable at the increased rate of 12% with effect from June 01, 2022.

36. CAPITAL COMMITMENTS

There were no any 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.

38. IMPACT OF UNCERTAIN MARCO ECONOMIC ENVIRONMENT

The prevailing uncertainties in the macro economic environment has created additional uncertainties in the Group operating environment. As far as the Group business is concerned, the condition has caused various impacts with regard to foreign currency issue, inflation and interest rates.

Inflation accelerated in the second half of the year, rising from 5.7% in September 2021 to 18.7% by March 2022 and reaching 60.8% in July 2022. This had a substantial influence on Sri Lanka's operational costs, particularly in the most recent quarter, and further cost profile revision will be necessary to protect margins.

Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on 12th April 2022, the Sri Lankan government announced for the discontinuation of payments on all of its US Dollars denominated bonds.

Business is expected to have pressures while importing products, particularly given challenges in securing letters of credit given the country's lack of foreign currency. However, once the country's current liquidity difficulties are overcome, as previously noted, this influence is anticipated to progressively fade. However, the market's current foreign currency shortage is anticipated to put more strain on the nation's supply chains. If trade facilities can't be established more easily, there may be disruptions for our suppliers, which would affect the distribution of our product range.

While extended fuel shortages and power outages may complicate logistics and supply chain operations, there is a chance that the government will be able to get some bridging finance, which should guarantee the continuous delivery of essential commodities. The firm will proactively manage these disruptions as it did in March and April 2022 if any such initiatives are insufficient.

The Company has reported a net profit of Rs. 8.6 Mn (2020/21 - Net Profit of Rs. 12.7 Mn) and the Group has reported a Net loss of Rs. 36.7Mn (2020/21 - Net Profit of Rs. 66.8 Mn) for the year ended 31st March 2022. As of the reporting date, the accumulated losses of the Group recorded at Rs. 47.2 Mn (2021 - Accumulated loss of Rs. 13.3 Mn), resulting in a decrease of Group's Net Assets to Rs. 38.5 Mn.

The Group has implemented strategic initiatives in its subsidiary company, Pettah Pharmacy (Pvt) Ltd to recoup losses. These include negotiations with the principal to get the exchange loss reimbursed, credit management to improve cash flows, financial reorganization with the view to improve liquidity and reduce finance cost, infuse additional financing to the business via parent company’s financial support and maintain healthy margins through cost reduction measures and appropriate 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.

39. DIRECTORS' RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the financial statements in accordance with Sri Lanka Accounting Standards and in compliance with the requirements of the Companies Act No. 07 of 2007.

SHARE INFORMATION

DISTRIBUTION OF SHAREHOLDINGS

	31ST MARCH 2022			31ST MARCH 2021		
Shareholdings	No.of Shareholders	Total Shareholdings	%	No.of Shareholders	Total Shareholdings	%
1 - 1,000	1,372	506,425	0.18	1,277	480,288	0.17
1,001 - 10,000	1,012	4,613,922	1.63	1,002	4,544,311	1.61
10,001 - 100,000	418	14,638,829	5.17	439	16,030,489	5.66
100,001 - 1,000,000	94	23,996,368	8.48	81	23,785,140	8.40
Over 1,000,000	10	239,244,456	84.54	9	238,159,772	84.16
Total	2,906	283,000,000	100.00	2,808	283,000,000	100.00

Catergories of Shareholders						
Individuals	2,833	51,054,513	18.04	2,739	50,250,429	17.76
Institutions	73	231,945,487	81.96	69	232,749,571	82.24
Total	2,906	283,000,000	100.00	2,808	283,000,000	100.00

MARKET VALUE

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

	2021/22 Rs.	2020/21 Rs.
Highest Price	3.00	1.70
Lowest Price	1.00	0.50
Market Value as at the year end	1.00	1.10
FINANCIAL STATISTICS		
Earning/(Loss) per Share	(0.13)	0.24
Net Assets per Share	0.14	0.31
Dividend per Share	-	-

PUBLIC HOLDING

The percentage of shares held by the public as at 31st March 2022 was 48.66% (31st March 2021 - 48.66%)

The applicable option under CSE Rule 7.14.1 (i) (a) on minimum public holding is option 5 and the Float Adjusted Market Capitalization as of 31.03.2022 was Rs. 137,707,800.00.

PUBLIC SHAREHOLDERS

Number of Public Shareholders as at 31st March 2022 were 2,898 (31st March 2021 - 2,801)

SHARE INFORMATION

MAJOR SHAREHOLDERS

		31ST MARCH 2022		31ST MARCH 2021	
	Name	No. of shares	%	No. of shares	%
1	SAMPATH BANK PLC/ DR.T.SENTHILVERL	73,592,100	26.00%	73,592,100	26.00%
2	E.B. CREASY & COMPANY PLC	73,061,773	25.82%	145,061,773	51.26%
3	AMANA BANK PLC/E.B. CREASY & COMPANY PLC	72,000,000	25.44%	-	-
4	MR. AJITH KRISHANTHA PALLIYA GURUGE DON (DECEASED)	5,248,632	1.85%	4,996,159	1.77%
5	MR. JESUDASAN PEREEMBARAJAH PAUL	3,953,720	1.40%	-	-
6	GETZ BROS. & CO. INC.	3,675,000	1.30%	3,675,000	1.30%
7	SEYLAN BANK PLC/SENTHILVERL HOLDINGS (PVT) LTD	2,833,578	1.00%	-	-
8	MR. BESHAN SAMEERA DEDDUWA JATHUNGAGE	2,194,139	0.78%	-	-
9	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	1,351,514	0.48%	1,095,000	0.39%
10	MR. RAVINDRA ERLE RAMBUKWELLE	1,334,000	0.47%	1,374,000	0.49%
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. SAJID HUSSEIN MAKEEN	700,000	0.25%	702,800	0.25%
14	MR. ABHAYAGUNAWARDHANALAGE NILANTHA PRADEEP ABHAYAGUNAWARDHANA	680,200	0.24%	680,200	0.24%
15	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ P.C.U.EKANAYAKE	610,000	0.22%	-	-
16	MR. DHANUSHA SENAJITH DUKE DE LANEROLLE	604,500	0.21%	-	-
17	MR. ISURU DILHAN DEYES MALLIKAARACHCHI SENANAYAKE	550,000	0.19%	-	-
18	SAMPTH BANK PLC/MR.ANANDA SAMARANAYAKE	506,795	0.18%	-	-
19	MERCHANT BANK OF SRI LANKA & FINANCE PLC/Y.R.P. DE SILVA	500,200	0.18%	-	-
20	MR. ULUPEN VIDANELAGE JAGATH SHANTHAPRIYA RANASINGHE	500,000	0.18%	-	-
21	ARUNA ENTERPRISES (PVT) LIMITED	500,000	0.18%	500,000	0.18%
	Total	246,396,151	87.07%	233,677,032	82.58%

TEN YEAR SUMMARY - GROUP

	2012/13 Rs.'000	2013/14 Rs.'000	2014/15 Rs.'000	2015/16 Rs.'000	2016/17 Rs.'000	2017/18 Rs.'000	2018/19 Rs.'000	2019/20 Rs.'000	2020/21 Rs.'000	2021/22 Rs.'000
Trading Result										
Turnover	529,823	573,252	755,482	903,252	898,607	937,388	988,647	847,098	750,876	**1,064,608**
Profits/(Loss) Before Tax	43,744	18,316	57,395	41,753	30,754	1,263	(73,451)	(87,954)	40,346	**(46,115)**
Taxation	(12,050)	(6,338)	(15,766)	(9,975)	(9,157)	1,856	12,939	(15,999)	26,481	**9,422**
Profits/(Loss) After Tax	31,694	11,978	41,629	31,778	21,597	3,119	(60,512)	(103,953)	66,827	**(36,693)**
Assets Employed										
Property, Plant & Equipment	9,224	7,255	6,255	5,734	5,305	4,358	3,806	2,815	3,680	**6,390**
Investments	27,039	20,077	74,983	79,454	78,096	83,590	63,865	50,427	47,157	**35,481**
Net Current Assets (Liabilities)	136,272	149,863	129,163	139,653	123,309	111,477	44,950	14,230	8,745	**(55,449)**
Shareholder's Funds										
Stated Capital	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	**83,000**
Reserves	86,913	91,273	123,494	136,552	117,700	113,855	12,993	19,351	14,751	**2,074**
Non-Currents Liabilities	3,311	3,366	4,349	6,118	6,917	5,895	8,990	53,276	11,595	**8,192**
Fianacial Ratios										
Pre-Tax Profit: Turnover (%)	8.26	3.19	7.60	4.62	3.46	0.13	(7.43)	(10.38)	5.37	**(4.33)**
Pre-Tax Profit: Shareholder's Funds	0.26	0.10	0.28	0.19	0.15	0.01	(0.77)	(0.86)	0.41	**(0.54)**
Liquidity										
Current Assets: Current Liabilities	2.02	2.28	1.49	1.30	1.24	1.24	1.08	1.02	1.02	**0.93**
Others										
Earnings/(Loss) Per Share (Rs.)	0.11	0.04	0.15	0.11	0.08	0.01	(0.21)	(0.37)	0.24	**(0.13)**
Net Assets Per Share (Rs.)	0.60	0.62	0.73	0.78	0.71	0.70	0.43	0.08	0.30	**0.14**
Market Price Per Share (Rs.)	1.50	1.20	1.20	1.20	1.10	1.00	0.60	0.60	1.10	**1.00**
Market Capitalization	424,500	339,600	339,600	339,600	311,300	283,000	169,800	169,800	311,300	**283,000**

NOTE

NOTE

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. RANJIT NOEL BOPEARATCHY	of Colombo or failing him
3. ROHAN CHRISANTHA ANIL WELIKALA	of Colombo or failing him
4. PARAKRAMA MAITHRI ASOKA SIRIMANE	of Colombo or failing him
5. ALBERT RASAKANTHA RASIAH	of Colombo or failing him
6. SHANTHIKUMAR NIMAL PLACIDUS PALIHENA	of Colombo or failing him
7. AZEEZ MOHAMED MUBARAK	of Colombo or failing him
8. SANJEEV RAJARATNAM	of Colombo or failing him
9. SANJEEWA WIJESIRI GUNAWARDENA	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 Wednesday, 28th September 2022 at 10.00 a.m. 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 2022, with the Report of the Auditors thereon.		
2.	To re-elect Mr. P.M.A. Sirimane as a Director.		
3.	To reappoint Mr. R.N. Bopearatchy as a Director		
4.	To reappoint Mr. A.R. Rasiah as a Director		
5.	To reappoint Mr. S.N.P. Palihena as a Director		
6.	To reappoint Dr. A.M. Mubarak as a Director		
7.	To reappoint Mr. S.D.R. Arudpragasam as a Director		
8.	To authorise the Directors to determine contributions to charities.		
9.	To reappoint as Auditors, KPMG and authorize the Directors to determine their remuneration.		

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

....

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.

FORM OF PROXY

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 and 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
R.C.A. Welikala
R.N. Bopearatchy
P.M.A. Sirimane
A.R. Rasiah
S.N.P. Palihena
Dr. A.M. Mubarak
S. Rajaratnam
S. W. Gunawardena

Secretaries
Corporate Managers & Secretaries (Private) Limited
No. 8-5/2, Leyden Bastian Road,
York Arcade Building, Colombo 01.

Auditors
KPMG
Chartered Accountants,
No. 32 A, Sir Mohamed Macan Marker Mawatha,
Colombo 03.
Tel: +94 (11) 5426426
Website : www.lk.kpmg.com

Lawyers
Julius & Creasy
No. 371, R.A. De Mel Mawatha, Colombo 03.

Bankers
Hatton National Bank PLC

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