J. L. MORISON SON & JONES (CEYLON) PLC

Annual Report 2011/12

Directors

MR. R. ABEYAWIRA (*Chairman*)
MR. B. M. AMARASEKERA (*Independent Director*)
MR. N. P. DE. A. SAMARANAYAKE (*Managing Director/CEO)*
MRS. S. I. ABEYAWIRA
MR. A. M. PREMATILLEKE
MR. N. C. KEPPETIWALANA
MR. A. S. ABEYEWARDENE (*Independent Director*)

Company Secretary

MR. W. M. G. WIJESUNDERA

Auditors

ERNST & YOUNG
Chartered Accountants

Solicitors

JULIUS & CREASY

Bankers

BANK OF CEYLON
PEOPLE'S BANK
STANDARD CHARTERED BANK
NDB BANK
NATIONS TRUST BANK
SEYLAN BANK
HSBC BANK
SAMPATH BANK

Registered Office

618, 620, Biyagama Road,
Pethiyagoda, Kelaniya.

NOTICE IS HEREBY GIVEN that the SEVENTY THIRD ANNUAL GENERAL MEETING of the Members of the above named Company will be held at 12 noon on Friday, 28 September 2012, at the Registered Office of the Company at No. 618, 620, Biyagama Road, Pethiyagoda, Kelaniya.

AGENDA

1. To receive the Report of the Directors and Accounts for the year ended 31 March, 2012 and the Auditors' Report thereon.

2. To declare a Dividend as recommended by the Directors.

3. To consider donations.

4. To elect Directors.

5. To appoint Auditors and fix their remuneration.

6. To transact any other Business of which due notice has been given.

By Order of the Board

W. M. G. WIJESUNDERA
Company Secretary

Colombo
August 13, 2012

Note – *Any member entitled to attend and vote at the meeting may appoint a Proxy to act for him. A Proxy need not be a member of the Company. A form of Proxy accompanies this Notice.*

J. L. MORISON SON & JONES (CEYLON) PLC
AND ITS SUBSIDIARIES

REPORT OF THE BOARD OF DIRECTORS

1. Report of the Directors

The Directors have pleasure in presenting to the members their report together with the audited accounts of J. L. MORISON SON & JONES (CEYLON) PLC, and the audited consolidated accounts of the Group for the year ended 31.03.2012.

2. Review of the Year

The Chairman's review describes in detail the year's operations and all important events that occurred during the accounting period under review.

3. Group Activities

The main activities of the Group are primarily, manufacture of pharmaceuticals and toiletry products and the import and distribution of finished pharmaceuticals, toiletries, agro chemicals, medical aid and other consumer products.

4. Property, Plant & Equipment

The movements in property, plant & equipment during the year are set out in Note 3 of the audited financial statements.

5. Dividends

The Directors have proposed and declared the following 2nd & final (tax free) dividend for the year ended 31 March 2012.

	Rs.
Second and Final Dividend of Rs. 2.00 (Tax Free) per share – proposed	15,101,560

6. Profit & Appropriations

	Rs.
Net Profit available for distribution after providing for depreciation amounted to	208,773,088
From which is deducted the amount provided for Income Tax	(60,708,891)
Leaving available for distribution	148,064,197
Balance brought forward from previous year	167,763,371
	315,827,568
Dividend Paid – Final – 2010/2011 & Interim – 2011/2012	(26,427,730)
Transfer to General Reserve	(100,000,000)
Balance carried forward to next year	189,399,838
Dividend Proposed (Tax Free) – Second & Final – 2011/2012	(15,101,560)
	174,298,278
Earnings Per Share	19.61

7. Directors

The Directors of the Company for the period from 01 April 2011 to 31 March 2012 were:

Mr. R. Abeyawira (Chairman)
Mr. B. M. Amarasekera (Independent Director)
Mr. N. P. De. A. Samaranayake (Managing Director/CEO)
Mrs. S. I. Abeyawira
Mr. A. M. Prematilleke
Mr. N. C. Keppetiwalana
Mr. A. S. Abeyewardene (Independent Director)

In terms of the Articles of Association, Mr. B. M. Amarasekara and Mrs. S. I. Abeyawera retire from the Board, but being eligible, offer themselves for re-election.

A special notice has been received by the Company from Mr. K. S. De. Z. Jayatilleke, a shareholder giving notice of his intention to move the following resolution in compliance with section 211 of the Companies Act No. 7 of 2007. "Resolved that the age limit in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R. Abeyawira, who has reached the age of 85 years and that he be re-elected an Executive Director of the Company."

A special notice has been received by the Company from Mr. N. A. Eriyagama, a shareholder giving notice of his intention to move the following resolution in compliance with section 211 of the Companies Act No. 7 of 2007. "Resolved that the age limit in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. B. M. Amarasekera, who has reached the age of 83 years and that he be re-elected an Independent Director of the Company."

A special notice has been received by the Company from Mr. T. T. W. K. Fernando, a shareholder giving notice of his intention to move the following resolution in compliance with section 211 of the Companies Act No. 7 of 2007. “Resolved that the age limit in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mrs. S. I. Abeyawira, who has reached the age of 73 years and that she be re-elected a Non-Executive Director of the Company”.

8. Share Information

Information relating to earnings, dividend, net assets and market price per share is given in the 5 year summary on page 47.

9. Donations

During the year charitable donations amounting to Rs. 5000.00 (2011 – Rs. 6000.00) were made by the Company.

10. Segmental Analysis

A segmental analysis of the Group operations is given in Note 28 on page 43 to the accounts.

11. Corporate Governance

The Board consists of Seven directors, including two independent directors. As per the Board charter, the Board is responsible for the approval of overall business strategies, annual plan, quarterly results announcements, Annual Report and Accounts, major transactions and the dividend policy. It monitors overall performance, the integrity of the Company’s financial controls and the effectiveness of the compliance programme.

All the non-executive directors, except Mrs. S. I. Abeyawira, are considered independent in terms of the guidelines issued by the Securities and Exchange Commission of Sri Lanka.

Appointment of non-executive directors is based on the collective decision of the Board.

Directors’ Declarations

The Directors declare that:

(a) The company complied with all applicable laws and regulations in conducting its business.
(b) The directors have declared all material interests in contracts involving the company and refrained from voting on matters in which they were materially interested.
(c) The company has made all endeavours to ensure the equitable treatment of shareholders.
(d) The business is a going concern with supporting assumptions or qualifications as necessary.
(e) We have conducted a review of internal controls covering financial operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

As per Article 85 of Association, of the one third of the directors of the Board have to retire by rotation at every Annual General Meeting. The Chairman and Managing Director are excluded in determining the directors to retire. The persons who have served for the longest period have to retire but are eligible for re-appointment.

The Board met 4 times during financial year 2011/2012, and the attendance is given below;

		Attended
Mr. R. Abeyawira	CHAIRMAN/ED	4/4
Mr. B. M. Amarasekera	NED/IND	4/4
Mr. N. P. De A. Samaranayake	MD/CEO/ED	4/4
Mrs. S. I. Abeyawira	NED	4/4
Mr. A. M. Prematilleke	ED	4/4
Mr. N. C. Keppetiwalana	ED	4/4
Mr. A. S. Abeyewardene	NED/IND	4/4

NED – Non-Executive Director, ED – Executive Director, MD – Managing Director, CEO – Chief Executive Officer, IND – Independent Director

Code of Business Ethics and Conduct

All Directors exercise their independent and objective judgement on issue of strategy, policy, resources and standard of conduct. The directors ensure that all information is of confidential nature except those disclosed in the Annual Report.

12. Major Shareholding

The 20 largest shareholders of Voting & Non-Voting shares of the Company as at 31.03.2012 are given on pages 45 & 46. Together they hold 85.27% & 74.95% respectively, of the Stated Capital as at this date. There were altogether 1029 Voting & Non-Voting shareholders.

13. Statutory Payments

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

14. Appointment of Auditors

A resolution to re-appoint our present auditors, Messrs Ernst & Young, who have expressed their willingness to continue, will be proposed at the Annual General Meeting.

15. Reserves

The details of Capital and Revenue reserves of the Company are given in Note 11 on page 33 & 34 to the financial statements.

16. Stated Capital

There was no movement in the Stated Capital during the period.

17. Going Concern

On the basis of current financial projections and facilities available, the Directors are confident that the Company has adequate resources to continue business operations. Accordingly the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

18. Events occurring after the Balance Sheet Date

No events have occurred since the Balance Sheet Date, which would require adjustments to or disclosure in the financial statements other than the recommendation by the Board of Directors of the payment of a second and final dividend of Rs. 2.00 (Tax Free) (Rs. 15,101,560/-) on ordinary shares in issue.

19. Environmental Protection

The Company has not been engaged in any activities which could have caused detriment to the environment.

20. Significant Accounting Policies

The Significant Accounting Policies adopted in the preparation of the financial statements are given on pages 16 to 23 of the Annual Report.

21. Board Sub Committees

The Board of Directors of the Company has formed the following sub-committees.

Audit Committee Report

Purpose of the Audit Committee

i. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

ii. Reviewing, with the management, the annual financial statements before submission to the board for approval.

iii. Reviewing, with the management, the quarterly financial statements before submission to the board for approval

iv. Reviewing, with the management, performance of statutory and internal auditors, and the adequacy of the internal control systems.

v. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency

vi. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixing of audit fees.

vii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

Composition of the Audit Committee

The Audit Committee comprises of one Executive Director who is a permanent member of the Audit Committee and two Non-Executive/Independent Directors. Chairman of the Audit Committee is a Non-Executive/Independent Director of the Company. The other Executive Director & the Secretary of the Company attends the Audit Committee Meetings by invitation. In addition the Internal Auditor of the Company and his Assistants attend the Audit Committee Meetings by invitation. The Audit Committee had four meetings during the year under review.

The members of the Audit Committee are:	**Attended**
Mr. A. S. Abeyewardene - Chairman (Non-Executive/Independent Director)	04/04
Mr. B. M. Amarasekera - Member (Non-Executive/Independent Director)	04/04
Mr. N. P. De. A. Samaranayake - Member (Managing Director)	04/04
Mr. A. M. Prematilleke - Member (Executive Director) - (attends by invitation)	04/04

The Audit Committee is empowered to examine the financial reporting process and to review the adequacy of the internal controls established by the management, disclosure of accounting policies, compliance with Sri Lanka Accounting Standards, compliance with statutory laws and corporate governance, the internal auditors reports, external auditors management reports, and the respective internal and external audit programmes.

During the year under review the Audit Committee reviewed and discussed in detail the documentation in regards to the establishment of Internal Controls in the Company and the preparation of the Audit Programme in relation to the Revenue Cycle, Inventory, Payments Cycle and the Fixed Assets. The Audit Committee also reviewed the Internal Audit Reports submitted by the Internal Auditors. The Audit Committee is of the view that adequate internal controls and procedures have been established by the management to ensure the effectiveness of the operations of the company and to safeguard its assets.

The Audit Committee reviewed the Financial Statements of the Company and ensured that they are prepared in accordance with the Sri Lanka Accounting Standards and the Company has complied with all regulatory compliances during the year under review.

The Audit Committee has recommended to the Board of Directors that Messrs Ernst & Young, Chartered Accountants, be re-appointed as auditors of the company for the financial year ending 31st March 2013, subject to the approval of the shareholders at the next Annual General Meeting.

Remuneration Committee Report

The Remuneration Committee consists of two independent/Non-Executive Directors & Managing Director/CEO. Mr. B. M. Amarasekera functions as the *Chairman of the Committee. This Committee reviews the salary programme of Executive employees, including the Executive Directors.

Remuneration Policy - Group

The Remuneration Committee make recommendations and provide guidelines on implementation of remuneration levels, based on qualifications and experiences and designed to attract, retain and motivate the senior staff who has made contributions to achieve Company objectives. Company sets policies on remuneration, pre-requisites and allowances based on the market and industry. The Group has a structured and professional methodology in evaluating the performances of Senior Executives and the Directors of the Company. The committee considers the overall performances of the Company, the Group and of the individual, when reviewing the remuneration. The C.E.O's remuneration review is carried out by the Independent Directors of the committee, without the presence of the C.E.O. concerned.

Attended:

Mr. B. M. Amarasekera*	Chairman/NED/IND	01/01
Mr. N. P. De A. Samaranayake	MD/CEO/ED	01/01
Mr. A. S. Abeyewardene	NED/IND	01/01

NED – Non-Executive Director, ED – Executive Director, MD – Managing Director, CEO – Chief Executive Officer, IND- Independent Director.

Interests Register

The Company has maintained an Interest Register as contemplated by the Companies Act No. 7 of 2007.

Interests in Contracts

The directors have all made a general disclosure to the Board of directors as permitted by Section 192 (2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any director.

Risk Management Review

Risk management involves identifying potential risk exposure faced by the Company and implementing proper risk management techniques to mitigate such risks.

The Morisons Board of Directors has overall responsibility for risk oversight, with a focus on the most significant risks facing the Company.

The Company has established appropriate internal control systems to mitigate the risks and ensure the delivery of shareholder wealth and to meet its obligations to other stakeholders.

1. Strategic Risk

Strategic risk relates to the risk associated with the markets and industries in which we operate, demand for our products and services, competitor threats, technology and product innovation and public policy.

2. Operation Risk

Operation risk relates to the risk arising from execution of business operations. The Company has established internal control systems in all its operations and continuously reviews and monitors those procedures to ensure accountability and transparency in all its operations.

3. Financial Risk

Financial risk covers the broad area of risk and mainly incorporates credit risk and market risk stemming from business operations.

3.1 Credit Risk & Market Risk

Credit risk arises due to the non-payment by debtors which can lead to working capital issues. The Company implements proper credit control and debt collection policy to ensure that the Company selects as far as possible, reliable distributors who are able to honour their debts.

3.2 Market Risk Management

Market risk management refers to the risk arising from volatilities in market forces. The Company faces market risk in the financial sphere in terms of the local rates of interest, inflation and exchange rates.

3.2.1 Foreign Exchange Risk

The Company's business model is such that most of the products and the raw materials are imported. As a result, the Company is highly exposed to foreign exchange risk due to fluctuation in exchange rates. The Company uses a forward exchange rate for accounting purposes and by this means, the Company efficiently provides for its foreign exchange exposure and was able to minimise any adverse impacts.

3.2.2 Interest Rate Risk

The Company continues to restructure its debt portfolio, to minimise the effect of rising interest rates. The Company is committed to reduce its level of debt, to ensure that the financial costs remain under control.

3.2.3 Liquidity Risk

Due to the nature of the businesses that the Company operates in, we need to ensure that the working capital cycles are properly maintained, to ensure that the operations are not compromised due to lack of adequate working capital. The Company implements effective credit control policy to ensure collection from debtors and the obligations to its creditors are met on time.

4. Legal & Compliance Risk

The Company addresses this area with great concern in order to protect its corporate image. The legal and compliance risk relates to the changes in the government and regulatory environment, compliance requirements with policies and procedures, including those relating to the financial reporting, environmental health and safety and intellectual property risks.

5. Business Risk

The intensification of competition from existing players and also from the new entrances are significant business risks that the Company faces. Various consumer spending patterns is also a potential business risk, which Company monitors closely.

22. Auditors

Group's Auditors during the year under review were made Messrs. Ernst & Young, Chartered Accountants.

The following payments were made to them during the year.

	Company	Group
	Rs.	Rs.
Audit Fees and Expenses	840,000	1,674,000
Fees for other Services and Expenses	387,750	744,000

As far as the Directors are aware, the Auditors' do not have any other relationship with the Company, or any of its subsidiaries other than those disclosed above. Auditors also do not have any interest in the Company or any of the Group Companies.

23. DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY

All Directors have made general declarations as provided for in Section 192(2) of the Companies Act No. 7 of 2007. Arising from these details of contracts, which they have an interest are found in the below table. The share ownership of Directors and remuneration paid to them during the year are as indicated in page numbers 42,45 and 46 respectively.

Details of transactions carried out with the Director related entities during the year 2011/2012.

Name of Related Party	Name of Director	Relationship	Details	Balance outstanding as at 31.03.2012
M.S.J. Industries (Ceylon) (Private) Limited	R. Abeyawira N. P. De. A. Samaranayake	Chairman Managing Director	Rent paid Rs. 614,754/- Purchase of goods Rs. 98,480,763/- Administrative staff salary paid Rs. 19,332,394/-	Rs. 6,287,273/80
M.S.J. Promotional Services (Private) Limited	R. Abeyawira N. P. De. A. Samaranayake A. M. Prematilleke N. C. Keppetiwalana	Chairman Managing Director Director Director	Sale commission paid Rs. 1,946,795/59 Sale representative remuneration paid Rs. 38,935,910/83 Vehicle hire charges paid Rs. Nil Management fees paid Rs. 56,250/-	Rs. 3,744,274/50
M.S.J. Cargoes (Ceylon) (Private) Limited	R. Abeyawira N. P. De. A. Samaranayake	Chairman Managing Director	Agency Commission paid for goods Rs. 1,459,655/30 Management fee paid Rs. 56,250/- Transportation costs paid Rs. 1,506,180/- Staff salary paid Rs. 2,548,044/-	Rs. 13,221,759/37
M.S.J. Foods (Ceylon) (Private) Limited	R. Abeyawira N. P. De. A. Samaranayake	Chairman Managing Director	Payment for their expenses Rs. 22,540/-	Rs. 1,105,796/73
M.S.J. Tours (Ceylon) Limited	R. Abeyawira N. P. De. A. Samaranayake A. M. Prematilleke	Chairman Managing Director Director	Payment for their expenses Rs. 41,860/-	Rs. 266,868/09
M.S.J. Hotels (Ceylon) Limited	R. Abeyawira N. P. De. A. Samaranayake	Chairman Managing Director	Payment for their expenses Rs. 200,449/- Management fee paid Rs. 12,000/-	Rs. 3,885,315/51
Three U Tours	R. Abeyawira	Sole Proprietor	Vehicle hire charges paid Rs. 768,000/-	Nil

This annual report is signed for and on behalf of the Board of Directors.

R. Abeyawira
Director

N. P. De A. Samaranayake
Director

W. M. G. Wijesundera
Company Secretary

Colombo
August 13, 2012

J. L. MORISON SON & JONES (CEYLON) PLC
AND ITS SUBSIDIARIES

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The responsibilities of the Directors in relation to the financial statements of the Company and the Group differ from the responsibilities of the Auditors which are set out in their report appearing on page 11.

The Companies Act No. 7 of 2007 requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the Profit or Loss of the Company and the Group for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Companies within the Group keep sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and the Group and for ensuring that the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007. They are also responsible for taking reasonable measures to safeguard the assets of the Group and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are confident that they have discharged their responsibilities as set out in this statement. The Directors also confirm that to the best of their knowledge, all statutory dues payable by the Group as at the Balance Sheet date have been paid or where relevant, provided for.

By Order of the Board
W. M. G. Wijesundera
Company Secretary.

Colombo.
13 August, 2012

DIRECTORS' PROFILE

R. ABEYAWIRA

Mr. Abeyawira counts over sixty years in the Company having joined in 1952, relinquishing his employment in the Central Bank of Ceylon. He had also served as a Board Member in the United Kingdom Companies of J. L. Morison Son & Jones Ltd and Guinness Morison International Ltd, during this period. He has had wide experience particulary in Commercial Management and Administration. He served as a Board Member of the Group Companies and attended all Board Meetings of the Parent Company, during the year under review.

N. P. De A. SAMARANAYAKE

Appointed to the Board in 1983. Mr. Samaranayake is a member of the Chartered Institute of Management Accountants of London, Chartered Management Institute of United Kingdom and also the Society of the Certified Management Accountants in Sri Lanka. He counts more than 26 years of experience in Financial Management, Administration and Secretarial Practice. He also serves as a Board Member of the Group Companies. He has attended all Board Meetings of the Parent Company, during the year under review.

Mrs. S. I. ABEYAWIRA

Mrs. S. I. Abeyawira has been a member of the Board from financial year 31st March 2001. She is also on the Boards of Abeyawira Investments (Private) Limited and Carvalho Investments (Private) Limited. She, has attended all Board Meeting of the Parent Company during the year under review.

A. M. PREMATILLEKE

MBA (Colombo), FCMA (UK), FSCMA & MCPM

Mr. Prematilleke is a Board Director from November 2003, and serve as a Board Member of a Group Company. He has attended all Board Meetings of the Parent Company, during the year under review. He has knowledge on Budgetary Control, Pricing, Strategic Planning, Fund & Treasury Management, Project Appraisals and Working Capital Management.

N. C. KEPPETIWALANA

Mr. Keppetiwalana is the Director-Sales & Marketing. He joined the Board in January 2007 and served as a Board Member of a Group Company.

He has over 27 years' experience with a number of leading Companies in the international and multinational food and apparel industry. He initially spent 4 years with Nestle Lanka and 5 years with Goodman Fielder Australia, in a range of Domestic and Overseas Sales Marketing roles and then joined YKK-Japan, the world largest fastening products supplier to apparel manufacturers, worldwide, as Head of Sales & Marketing. In addition, he had spent 8 years with local conglomerates with cross functional responsibilities in sales, Brand Marketing & Strategic Planning, Product Development and joint venture operations. He has undergone strategic brand marketing programmes with Australia Graduate School of Management, affiliate to NSW University and University of Singapore. He has attended all Board Meetings of the Parent Company during the year under review.

B. M. AMARASEKERA

Mr. Amarasekera is a Director of the Company since February 1978. Attorney-at-Law by profession and counts over 50 years in the practice of Law. Joined the law firm of Julius & Creasy in 1952 and retired as Precedent Partner of the Firm in 1999.

As a member of the Bar Council, served as Chairman of the Law and Finance Committee and several other committees of the Council. He has served as a member of a three member Bench of Inquiry into the Professional Misconduct of Members of the Bar constituted by the then Honourable Chief Justice in the early 1980's for a term of five years. He has also served on the Council of the University of Sri Jayawardenepura and as a member of the Council on several Selection Boards and functioned as Chairman of the Disciplinary Committee of the University.

He also serves as Chairman/Director of several Public quoted and unquoted Companies and Private limited liability Companies. He has attended all Board Meetings of the Parent Company, during the year under review.

A. S. ABEYEWARDENE

Mr. A. S. Abeyewardene is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Fellow of the Society of Certified Management Accountants of Sri Lanka and a Fellow of the Institute of Directors U.K. He was a former Partner of KPMG Ford Rhodes Thornton & Co., Chartered Accountants. He is an Independent Director of DFCC Bank, Independent Director of Ceylon Hospitals PLC and is the Chairman of the Audit Committee and Remuneration Committee of this Company. He is also an Independent Director of Durdans Medical and Surgical Hospitals (Pvt) Ltd. He serves as an Independent Director of J. L. Morison Son & Jones (Ceylon) PLC and is the Chairman of the Audit Committee. He has attended all Board Meetings of the Parent Company during the year under review.

Chartered Accountants
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF J. L. MORISON SON & JONES (CEYLON) PLC

Report on the Financial Statements

We have audited the accompanying financial statements of J. L. Morison Son & Jones (Ceylon) PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the balance sheets as at 31 March 2012, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs as at 31 March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 7 of 2007.

(Sgd.) ERNST & YOUNG
Chartered Accountants

13 August, 2012
Colombo

J. L. MORISON SON & JONES (CEYLON) PLC
AND ITS SUBSIDIARIES

BALANCE SHEETS AS AT 31 MARCH 2012

	Note	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
ASSETS					
Non-Current Assets					
Property, Plant & Equipment - At Cost	3	**126,995,740**	118,415,870	**73,301,175**	68,534,450
- At Valuation	3	**836,989,996**	844,424,284	**125,661,715**	126,997,878
Intangible Assets	4	**1,500,000**	1,500,000	**1,500,000**	1,500,000
Investments in Subsidiaries	5	**1**	1	**66,508,141**	66,508,141
Investments in Associates	6	**1**	1	**243,028**	243,028
Other Investments	7	**250,000**	250,000	**–**	–
Deferred Tax Assets	21	**12,367,958**	12,233,484	**12,367,958**	12,233,484
		978,103,696	976,823,640	**279,582,017**	276,016,981
Current Assets					
Inventories	8	**712,935,143**	617,617,609	**530,923,723**	445,928,926
Trade and Other Receivables	9	**749,092,209**	674,900,741	**657,412,135**	563,043,023
Other Investments	7	**255,427,887**	257,997,959	**255,427,887**	257,997,959
Cash and Cash Equivalents	16	**19,694,143**	3,883,142	**18,732,792**	2,924,021
		1,737,149,382	1,554,399,451	**1,462,496,537**	1,269,893,929
Total Assets		**2,715,253,078**	2,531,223,091	**1,742,078,554**	1,545,910,910
EQUITY AND LIABILITIES					
Equity Attributable to Equity Holders of the Parent					
Stated Capital	10	**7,924,800**	7,924,800	**7,924,800**	7,924,800
Reserves	11	**1,443,974,119**	1,343,974,119	**861,546,621**	761,546,621
Retained Earnings		**396,495,273**	304,507,400	**189,399,838**	167,763,371
Total		**1,848,394,192**	1,656,406,319	**1,058,871,259**	937,234,792
Minority Interest		**102,461**	99,745	**–**	–
Total Equity		**1,848,496,653**	1,656,506,064	**1,058,871,259**	937,234,792
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	12	**42,253,371**	43,109,435	**23,953,306**	10,471,876
Deferred Tax Liabilities	21	**23,800,753**	18,028,637	**–**	–
Retirement Benefit Liability	13	**91,963,475**	88,999,832	**53,978,021**	48,296,582
		158,017,599	150,137,904	**77,931,327**	58,768,458
Current Liabilities					
Trade and Other Payables	14	**447,275,497**	384,555,928	**427,537,759**	381,601,084
Dividends Payable	15	**4,976,053**	2,798,496	**4,976,053**	2,778,643
Income Tax Liabilities		**3,495,050**	65,281,758	**14,521,317**	30,161,449
Interest Bearing Loans and Borrowings	12	**252,992,226**	271,942,941	**158,240,839**	135,366,484
		708,738,826	724,579,123	**605,275,968**	549,907,660
Total Equity and Liabilities		**2,715,253,078**	2,531,223,091	**1,742,078,554**	1,545,910,910

These Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.

A. M. Prematilleke
Finance Director

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by,

R. Abeyawira
Director

N. P. De A. Samaranayake
Director

The Accounting Policies and Notes on pages 17 through 43 form an integral part of these financial statements.

Colombo
13 August, 2012

J. L. MORISON SON & JONES (CEYLON) PLC
AND ITS SUBSIDIARIES

INCOME STATEMENTS - YEAR ENDED 31 MARCH 2012

		Group		Company	
	Note	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Revenue	17	**2,986,583,458**	2,777,554,869	**2,501,552,361**	2,251,238,692
Cost of Sales		**(2,143,443,996)**	(2,012,854,938)	**(1,842,721,230)**	(1,694,878,037)
Gross Profit		**843,139,462**	764,699,931	**658,831,131**	556,360,655
Other Income and Gains	18	**9,153,282**	19,939,295	**24,652,624**	35,315,442
Selling and Distribution Costs		**(296,811,532)**	(294,070,181)	**(292,175,158)**	(290,711,971)
Administrative Expenses		**(249,959,499)**	(200,639,053)	**(195,940,114)**	(144,551,231)
Finance Cost	19.1	**(15,515,280)**	(17,502,685)	**(8,557,446)**	(7,703,356)
Finance Income	19.2	**21,962,732**	13,965,704	**21,962,051**	13,965,052
Profit on Disposal of Investments	18.1	**–**	21,175,924	**–**	164,055,208
Share of Profit of Associate Company		**–**	3,160,225	**–**	–
Profit Before Tax	20	**311,969,165**	310,729,160	**208,773,088**	326,729,798
Income Tax Expense	21	**(93,550,846)**	(124,827,279)	**(60,708,891)**	(59,416,500)
Profit for the Year		**218,418,319**	185,901,881	**148,064,197**	267,313,298
Attributable to:					
Equity Holders of the Parent		**218,415,603**	185,900,222	**148,064,197**	267,313,298
Minority Interests		**2,716**	1,659	**–**	–
		218,418,319	185,901,881	**148,064,197**	267,313,298
Earnings Per Share - Basic	22	**28.93**	24.62	**19.61**	35.40
Dividends Per Share	23	**3.50**	3.45	**3.50**	3.45

The Accounting Policies and Notes on pages 17 through 43 form an integral part of these financial statements.

J. L. MORISON SON & JONES (CEYLON) PLC
AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED 31 MARCH 2012

Group	Stated Capital Rs.	Revaluation Reserve Rs.	Capital Reserve Rs.	General Reserve Rs.	Investment Fluctuation Reserve Rs.	Retained Earnings Rs.	Total Rs.	Minority Interests Rs.	Total Equity Rs.
Balance as at 01 April 2010	**7,924,800**	**207,698,734**	**53,676,596**	**480,800,000**	**13,215,826**	**282,951,699**	**1,046,267,655**	**98,086**	**1,046,365,741**
Dividends for 2009/2010	–	–	–	–	–	(27,560,347)	(27,560,347)	–	(27,560,347)
Surplus on Revaluation of Property, Plant and Equipment	–	435,296,478	–	–	–	–	435,296,478	–	435,296,478
Transferred to/(from) during the year	–	53,676,596	(53,676,596)	150,000,000	(13,215,826)	(136,784,174)	–	–	–
Profit for the year	–	–	–	–	–	185,900,222	185,900,222	1,659	185,901,881
Effect on Transfer from Deferred Tax Liability	–	16,502,311	–	–	–	–	16,502,311	–	16,502,311
Balance as at 31 March 2011	**7,924,800**	**713,174,119**	**–**	**630,800,000**	**–**	**304,507,400**	**1,656,406,319**	**99,745**	**1,656,506,064**
Dividends for 2010/2011	–	–	–	–	–	(26,427,730)	(26,427,730)	–	(26,427,730)
Transferred to/(from) during the year	–	–	–	100,000,000	–	(100,000,000)	–	–	–
Profit for the year	–	–	–		–	218,415,603	218,415,603	2,716	218,418,319
Balance as at 31st March 2012	**7,924,800**	**713,174,119**	**–**	**730,800,000**	**–**	**396,495,273**	**1,848,394,192**	**102,461**	**1,848,496,653**

The Accounting Policies and Notes on pages 17 through 43 form an integral part of these financial statements.

J. L. MORISON SON & JONES (CEYLON) PLC
AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY - YEAR ENDED 31 MARCH 2012

Company	Stated Capital Rs.	Revaluation Reserve Rs.	General Reserve Rs.	Investment Fluctuation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2010	**7,924,800**	**42,438,386**	**478,928,122**	**13,215,826**	**64,794,594**	**607,301,728**
Dividend for 2009/2010	–	–	–	–	(27,560,347)	(27,560,347)
Surplus on Revaluation of Property, Plant and Equipment	–	81,367,350	–	–	–	81,367,350
Profit for the year	–	–	–	–	267,313,298	267,313,298
Effect on Transfer from Deferred Tax Liability	–	8,812,763	–	–	–	8,812,763
Transferred to/(from) during the year	–	–	150,000,000	(13,215,826)	(136,784,174)	–
Balance as at 31 March 2011	**7,924,800**	**132,618,499**	**628,928,122**	**–**	**167,763,371**	**937,234,792**
Dividend for 2010/2011	–	–	–	–	(26,427,730)	(26,427,730)
Profit for the year	–	–	–	–	148,064,197	148,064,197
Transferred to/(from) during the year	–	–	100,000,000	–	(100,000,000)	–
Balance as at 31 March 2012	**7,924,800**	**132,618,499**	**728,928,122**	**–**	**189,399,838**	**1,058,871,259**

The Accounting Policies and Notes on pages 17 through 43 form an integral part of these financial statements.

J. L. MORISON SON & JONES (CEYLON) PLC
AND ITS SUBSIDIARIES

CASH FLOW STATEMENTS - YEAR ENDED 31 MARCH 2012

	Note	Group		Company	
		2012	2011	2012	2011
Cash Flows from Operating Activities		Rs.	Rs.	Rs.	Rs.
Profit before Income Tax Expense		**311,969,165**	310,729,160	**208,773,088**	326,729,798
Adjustments for					
Dividend Income	18	**(383,666)**	(195,208)	**(17,383,666)**	(17,195,208)
Share of Associate Company (Profit)/Loss		**–**	(3,160,225)	**–**	–
Appreciation in Value of Investment	18	**–**	(5,011,585)	**–**	(5,011,585)
Depreciation	3	**33,276,131**	27,752,219	**23,986,590**	18,247,018
(Profit)/Loss on Sales of Property, Plant & Equipment		**(6,201,695)**	268,662	**(5,151,696)**	268,662
Profit on Disposal of Investments		**–**	(21,175,924)	**–**	(164,055,208)
Interest Income	19.2	**(21,962,732)**	(13,965,704)	**(21,962,051)**	(13,965,052)
Finance Costs	19.1	**15,515,280**	17,502,685	**8,557,446**	7,703,356
Fall in Value of Investments		**2,570,072**	–	**2,570,072**	–
Provision for Defined Benefit Plans - Gratuity	13	**11,235,123**	21,469,432	**10,103,400**	11,415,926
Operating Profit before Working Capital Changes		**346,017,678**	334,213,512	**209,493,183**	164,137,707
Increase in Inventories		**(95,317,534)**	(173,125,887)	**(84,994,797)**	(143,306,235)
(Increase)/Decrease in Trade and Other Receivables		**(74,191,469)**	28,277,028	**(94,369,113)**	79,258,327
Increase in Trade and Other Payables		**62,719,569**	15,337,968	**61,236,675**	52,151,975
Finance Costs Paid		**(15,515,280)**	(17,502,685)	**(8,557,446)**	(7,703,356)
Defined Benefit Plan Costs Paid	13	**(8,271,480)**	(3,880,193)	**(4,421,961)**	(2,859,469)
Income Tax Paid		**(149,699,913)**	(78,341,540)	**(74,783,496)**	(49,292,266)
Net Cash Flows from Operating Activities		**65,741,571**	104,978,203	**3,603,045**	92,386,683
Cash Flows used in Investing Activities					
Acquisition of Property, Plant & Equipment	3	**(35,981,713)**	(25,023,101)	**(28,977,152)**	(20,857,154)
Proceeds from Sale of Property, Plant & Equipment		**7,761,696**	611,397	**6,711,696**	611,397
Net Proceeds from Disposal of Other Investments		**–**	49,997,411	**–**	49,997,411
Proceeds from Sale of Other Investments		**–**	213,202,358	**–**	213,202,358
Acquisition of Other Investments		**–**	(250,000,000)	**–**	(250,000,000)
Dividends Received		**383,666**	195,208	**383,666**	195,208
Net Cash flows used in Investing Activities		**(27,836,351)**	(11,016,727)	**(21,881,790)**	(6,850,780)
Cash Flows From/(Used in) Financing Activities					
Proceeds From Interest Bearing Loans and Borrowings		**25,061,175**	–	**25,061,175**	–
Repayment of Interest Bearing Loans and Borrowings		**(59,538,716)**	(98,116,722)	**(9,654,618)**	(89,941,169)
Principal Payments under Finance Lease Liabilities		**(6,585,681)**	(6,226,718)	**(4,378,359)**	(4,779,706)
Dividends Paid		**(24,250,173)**	(26,322,773)	**(24,230,320)**	(26,322,773)
Interest Received		**21,962,732**	13,965,704	**21,962,051**	13,965,052
Net Cash flows From/(Used in) Financing Activities		**(43,350,663)**	(116,700,509)	**8,759,929**	(107,078,596)
Net Decrease in Cash and Cash Equivalents		**(5,445,443)**	(22,739,033)	**(9,518,816)**	(21,542,693)
Cash & Cash Equivalents at the beginning of the year	16	**(35,976,953)**	(13,237,920)	**(27,401,705)**	(5,859,012)
Cash and Cash Equivalents at the end of the year	16	**(41,422,396)**	(35,976,953)	**(36,920,521)**	(27,401,705)

The Accounting Policies and Notes on pages 17 through 43 form an integral part of these financial statements.

1. CORPORATE INFORMATION

1.1 General

J. L. Morison Son & Jones (Ceylon) PLC ("Company") is a Public Limited Liability Company, incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business of the Company is situated at No. 620, Biyagama Road, Pethiyagoda, Kelaniya.

The consolidated financial statements of the Company for the year ended 31 March 2012 comprise the Company (Parent Company) and its subsidiaries (together referred to as the "Group") and the Group's interest in its associates.

J.L. Morison Son & Jones (Ceylon) PLC does not have an identifiable parent of its own.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Group were as follows;

J.L. Morison Son & Jones (Ceylon) PLC - Importing and distribution of pharmaceuticals, agro chemicals, medical aid, household insecticides, shoe care, hair care products, diagnostics reagent and equipments, and other consumer products.

M.S.J. Industries (Ceylon) (Private) Limited - Manufacturing and Trading in Pharmaceuticals and Cosmetics.

M.S.J. Promotional Services (Private) Limited - Promotional Activities.

M.S.J. Cargoes (Ceylon) (Private) Limited - Wharf Clearing Activities.

M.S.J. Hotels (Ceylon) Limited - Hotel Industry (Dormant Company)

M.S.J. Foods (Ceylon)(Private) Limited - Food and Beverage (Dormant Company)

M.S.J. Tours (Ceylon) Limited - Transport services (Dormant Company)

1.3 Date of Authorisation for Issue

The financial statements of J.L. Morrison Son & Jones (Ceylon) PLC and its Subsidiaries for the year ended 31 March 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 13 August, 2012.

2.1 BASIS OF PREPARATION

These financial statements have been prepared on a historical cost basis except for the revaluation of certain property, plant and equipments and current investments, which are stated at fair value. The financial statements are presented in Sri Lankan Rupees. The preparation and presentation of these financial statements is in compliance with the Companies Act. No. 7 of 2007.

2.1.1 Statement of Compliance

The financial statements of the Company and its Subsidiaries have been prepared in accordance with Sri Lanka Accounting Standards (SLAS).

2.1.2 Comparative Information

The accountings policies have been consistently applied by the Company and are consistent with those used in the previous year. Prior year figures and phrases have been rearranged whenever necessary to conform with the current year's presentation.

2.1.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of J.L. Morison Son & Jones (Ceylon) PLC and its Subsidiaries, M.S.J. Industries (Ceylon) (Private) Limited, M.S.J. Cargoes (Ceylon) (Private) Limited, M.S.J. Foods (Ceylon) (Private) Limited, M.S.J. Tours (Ceylon) Limited, M.S.J. Promotional Services (Ceylon) (Private) Limited and M.S.J. Hotels (Ceylon) Limited, for the year ended 31 March 2012, which are incorporated in Sri Lanka.

The financial statements of Compak Morison (Lanka) Limited, have been excluded from consolidation from the year 1998 under Section 146 (2) B (ii) of the Companies Act. No 17 of 1982 and under the Section 153 (6) B of the Companies Act No.7 of 2007.

As per the letter given by Messrs. Julius & Creasy, on February 11, 1998, the movable and immovable properties of Compak Morison (Lanka) Limited, which were under mortgage to the National Development Bank (NDB) were handed over to the NDB in exercise of the rights of parate execution. NDB having advertised the property for sale in the public auction brought it in, at the auction towards the claim of NDB.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the company obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the Subsidiaries and Associate are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

2.1.3.1 Accounting for Investments in Associate Companies

In the consolidated financial statements, Investments in Associate Companies are accounted for on the equity basis of accounting where the value of the investment is increased or decreased to recognise the group's share of profit or loss of such Companies after the date of acquisition of the investment.

In the consolidated financial statements, Investments in Associate Companies are carried forward at the value adjusted to reflect the group's share of the fair value of net assets of the associate, net of any dividends declared by such Associates.

2.1.3.2 Intra Group Transactions

All intra-group transactions and balances, income and expenses from such inter-company transactions and balances have been eliminated in full in preparing the consolidated financial statements.

2.1.4 Segmental Reporting

Segmental information has been disclosed in Note 28 to the financial statements, in respect of identifiable operating units of the group on a consolidated basis.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates:

Estimation of Useful Life of Property Plant and Equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives of Group assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events.

Retirement Benefit Obligation

The Retirement benefit obligation and the related charge for the year are determined using assumptions required under formula method. The valuation involves making assumptions about discount rates, future salary increases, mortality rates etc. Due to the long term nature of such obligations these estimates are subject to significant uncertainty. Further details are given in Note 2.3.12 and 13.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Taxation

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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 provisions of the relevant tax legislations.

b) Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

c) Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Balance Sheet.

d) Economic Service Charge (ESC)

ESC is payable on the liable turnover at specified rates. As per the provision of the Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is deductible from the income tax liability. Any unclaimed liability can be carried forward and set off against the income tax payable as per the relevant provision in the Act.

2.3.3 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.3.4 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2.3.5 Inventories

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

The cost incurred in bringing inventories to its present location and condition are accounted using the following cost formulae:-

Raw Materials	- At purchase cost on weighted average basis.
Work-in-progress	- At the cost of direct material, direct labour and manufacturing overheads absorbed as a percentage of prime cost of production.
Finished Goods	
- Manufactured	- At the cost of direct material, direct labour and manufacturing overheads absorbed as a percentage of prime cost of production.
- Merchandising Goods	- At purchase cost on first-in-first out basis.
Spare Parts	- At purchase cost.
Goods in Transit	- At purchase cost.

2.3.6 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise net of provisions for bad and doubtful receivables.

Other receivables and dues from Related Parties are recognised at cost less provision for bad and doubtful receivables.

2.3.7 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short-term maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.8 Property, Plant and Equipment

Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation. Revaluations are performed every 5 years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except where the deficit offsets a previously recorded surplus on the same asset in which case, the deficit is directly offset against the surplus in the revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Depreciation is calculated on a straight-line basis on the cost or valuation of all property, plant and equipment other than freehold land in order to write off such amounts over the estimated useful lives of the assets.

2.3.9 Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. If there is reasonable certainty that the Company will obtain ownership by the end of the lease term, the depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned as described in 2.3.8.

2.3.10 Investments

a) Initial Recognition:

Investments are initially recognized at cost. The cost of an investment includes the purchase cost and other acquisition charges such as brokerages, fees, duties and bank regulatory fees. The Company distinguishes and presents current and non-current investment in the balance sheet.

b) Measurement

Current Investments

Current investments are carried at market value.

Unrealized gains and losses on current investments carried at market value are recognised in the income statement.

Long Term Investments

Long term investments are stated at cost. Carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to the income statement.

Disposal of Investments

On disposal of an investment, the different between net disposal proceeds and the carrying amounts is recognised as an income or expense. Any revaluation surplus related to disposed investments are transferred to retained earnings.

c) Investment in Subsidiaries and Associates

In the Company's separate financial statements the Investment in Subsidiaries and Associates are stated at cost.

2.3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or 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. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

2.3.12 Retirement Benefit Obligations

a) Defined Benefit Plans – Gratuity

Gratuity is a Defined Benefit Plan. The Group is liable to pay gratuity in term of relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet in a manner computed using the prescribed formula in Appendix E of SLAS 16 (Revised) – Employee Benefits.

The resulting difference between brought forward provision at the beginning of the year, net of any payment made, and the carried forward provision at the end of the year, is dealt within the Income Statement.

The gratuity liability is not externally funded.

b) Defined Contribution Plans - Employees' Provident Fund, Mercantile Services Provident Fund Society and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions or Mercantile Services Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Group contributions of the gross emoluments of the employees to the Employees' Provident Fund, Mercantile Services Provident Fund Contributions and Employees' Trust Fund are as follows.

	EPF/MSPS	ETF
Directors	15%	3%
Executive Staff	15%	3%
Non Executive Staff	12%	3%

2.3.13 Impairment of Non Financial Assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

2.3.14 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Rental Income & Management Fee Income

Rental Income and Management Fee Income are recognised on an accrual basis.

c) Interest Income

Interest Income is recognised on an accrual basis.

d) Dividend Income

Dividend Income is recognised when the shareholders' right to receive the payment is established.

e) Others

Other Income is recognised on an accrual basis

Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of revalued property, plant and equipment, the amount remaining in Revaluation Reserve relating to that asset is transferred directly to Retained Earnings.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.4 BUSINESS SEGMENT REPORTING

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services that is subject to risks and returns that are different from those of other business segments. The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting consolidated financial statements of the Group. Inter Segment transfers are based on fair market prices.

2.5 SRI LANKA ACCOUNTING STANDARDS EFFECTIVE FROM 01 JANUARY 2012

The Group will be adopting the new Sri Lanka Accounting Standards (new SLAS) comprising LKAS and SLFRS applicable for financial periods commencing from 01 January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Group has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Group has a 31 March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01 April 2011. This will form the basis of accounting for the new SLASs in the future, and is required when the Group prepares its first new SLAS compliant financial statements for the year ending 31 March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Group. The Group is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards requires the Group to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Group shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements. LKAS 1 – Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). This standard also requires the Group to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

b) LKAS 16 – Property, Plant and Equipment requires a company to initially measure an item of property, plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

c) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and equity respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') coupled with a reliable estimate of the loss event (or events) impact on the estimated future cash flows of the financial asset or group of financial assets . As such the current method of assessing for impairment will have to be changed to meet the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortized cost. At present, the company/group does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and also does not recognise certain derivative instruments on the balance sheet,

d) LKAS 23 – Borrowing Cost, the Group must capitalize borrowing costs in relation to a qualifying asset.

e) LKAS 12 – Income Tax requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.

f) LKAS 18 – Revenue requires the Group to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

3. PROPERTY, PLANT & EQUIPMENT

3.1 Group

3.1.1 Gross Carrying Amounts

At Cost	Balance As at 01.04.2011 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Balance As at 31.03.2012 Rs.
Buildings	2,183,384	2,959,105	–	–	**5,142,489**
Plant, Machinery and Other Equipment	112,376,332	2,600,189	–	3,914,000	**118,890,521**
Furniture and Fittings	9,418,444	447,869	–	–	**9,866,313**
Motor Vehicles	39,558,200	25,189,189	(10,228,196)	3,780,192	**58,299,385**
Office Equipment	47,530,249	2,717,736	–	648,000	**50,895,985**
	211,066,609	33,914,088	(10,228,196)	8,342,192	**243,094,693**
Assets on Finance Leases					
Plant and Machinery	9,032,000	–	–	(3,914,000)	**5,118,000**
Motor Vehicles	24,535,655	–	–	(3,780,192)	**20,755,463**
Office Equipment	648,000	–	–	(648,000)	**–**
	34,215,655	–	–	(8,342,192)	**25,873,463**
At Valuation					
Freehold Land	552,628,500	–	–	–	**552,628,500**
Freehold Buildings	297,371,500	–	–	–	**297,371,500**
	850,000,000	–	–	–	**850,000,000**
Total Value of Depreciable Assets	1,095,282,264	33,914,088	(10,228,196)	–	**1,118,968,156**

In the Course of Construction	Balance As at 01.04.2011 Rs.	Incurred During the Year Rs.	Disposals Rs.	Transfers Rs.	Balance As at 31.03.2012 Rs.
Capital Work in Progress	5,852,544	2,067,625	–	–	**7,920,169**
Total Gross Carrying Amount	1,101,134,808	35,981,713	(10,228,196)	–	**1,126,888,325**

3.1.2 Depreciation

At Cost	Balance As at 01.04.2011 Rs.	Charge for the year Rs.	Disposals Rs.	Transfers Rs.	Balance As at 31.03.2012 Rs.
Building	40,938	79,335	–	–	**120,273**
Plant, Machinery and Other Equipment	53,828,220	10,430,192	–	–	**64,258,412**
Furniture and Fittings	6,872,174	482,645	–	905,115	**8,259,934**
Motor Vehicles	34,759,579	5,231,989	(8,668,196)	2,140,099	**33,463,471**
Office Equipment	29,542,106	5,370,875	–	344,183	**35,257,164**
	125,043,017	21,595,036	(8,668,196)	3,389,397	**141,359,254**
Assets on Finance Leases					
Plant and Machinery	1,755,452	383,850	–	(905,115)	**1,234,187**
Motor Vehicles	5,576,286	3,862,957	–	(2,140,099)	**7,299,144**
Office Equipment	344,183	–	–	(344,183)	**–**
	7,675,921	4,246,807	–	(3,389,397)	**8,533,331**
At Valuation					
Freehold Buildings	5,575,716	7,434,288	–	–	**13,010,004**
Total Depreciation	138,294,654	33,276,131	(8,668,196)	–	**162,902,589**

3. PROPERTY, PLANT AND EQUIPMENT (Contd…)

3.1.3 Net Book Values

	2012 Rs.	2011 Rs.
At Cost		
Building	**5,022,216**	2,142,446
Plant, Machinery and Other Equipment	**54,632,109**	58,548,112
Furniture and Fittings	**1,606,379**	2,546,270
Motor Vehicles	**24,835,914**	4,798,621
Office Equipment	**15,638,821**	17,988,143
	101,735,439	86,023,592
Assets on Finance Leases		
Plant and Machinery	**3,883,813**	7,276,548
Motor Vehicles	**13,456,319**	18,959,369
Office Equipment	**–**	303,817
	17,340,132	26,539,734
In the Course of Construction	**7,920,169**	5,852,544
At Cost	**126,995,740**	118,415,870
At Valuation		
Freehold Land	**552,628,500**	552,628,500
Freehold Buildings	**284,361,496**	291,795,784
	836,989,996	844,424,284
Total Carrying Amount of Property, Plant & Equipment	**963,985,736**	962,840,154

3.1.4 The land and buildings belonging to J. L. Morison Son and Jones (Ceylon) PLC, situated at No. 126, Aluthmawatha Road, Colombo 15 and the land and buildings of its fully owned Subsidiary M.S.J.Industries (Ceylon) (Private) Limited, situated at No.126 and 126/2 Aluthmawatha Road, Colombo 15 and No.618, Biyagama Road, Kelaniya were revalued during the financial year 2010/2011 by Mr. G. J. Sumanasena, an independent valuer. The results of such revaluation were incorporated in these financial statements from its effective date. Such assets were valued based on an open market values. The surplus arising from the revaluation was transferred to a revaluation reserve.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows,

Class of Assets	Cost Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2012 Rs.	Net Carrying Amount 2011 Rs.
Freehold Land	30,294,710	–	**30,294,710**	30,294,710
Freehold Buildings	118,179,108	37,290,929	**80,888,179**	83,842,657

3.1.5 During the financial year, the Group acquired Property, Plant and Equipment to an aggregate value of Rs. 33,914,088/- (2011 - Rs. 39,587,886/-). Cash Payments amounting to Rs. 33,914,088/- (2011 - Rs. 25,023,101/-) were made during the year for the purchase of Property, Plant and Equipment.

3.1.6 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 85,568,211/- (2010- Rs. 87,781,746/-)

3. PROPERTY, PLANT AND EQUIPMENT (Contd...)

3.1.7 Information on the Freehold Land, Freehold Buildings of the Group.

	Address	Ownership	Extent	No. of Buildings	Included In
J. L. Morison Son & Jones (Ceylon) PLC	No.126, Aluthmawatha Road, Colombo 15	Freehold	30.43 Perches	1	Property, Plant and Equipment
M.S.J. Industries (Ceylon) (Private) Limited	No.126/2, Aluthmawatha Road, Colombo 15	Freehold	59.15 Perches	2	Property, Plant and Equipment
	Nos. 618 and 620, Biyagama Road, Pethiyagoda, Kelaniya.	Freehold	925 Perches	11	Property, Plant and Equipment

3.2 Company

3.2.1 Gross Carrying Amounts

At Cost	Balance As at 01.04.2011 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Balance As at 31.03.2012 Rs.
Plant, Machinery and Other Equipment	37,954,685	754,593	–	3,914,000	**42,623,278**
Furniture and Fittings	6,675,118	447,869	–	–	**7,122,987**
Motor Vehicles	61,872,272	25,061,174	(9,319,500)	3,780,192	**81,394,138**
Office Equipment	44,420,867	2,713,516	–	648,000	**47,782,383**
	150,922,942	28,977,152	(9,319,500)	8,342,192	**178,922,786**
Assets on Finance Leases					
Plant and Machinery	3,914,000	–	–	(3,914,000)	**–**
Motor Vehicles	18,300,335	–	–	(3,780,192)	**14,520,143**
Office Equipment	648,000	–	–	(648,000)	**–**
	22,862,335	–	–	(8,342,192)	**14,520,143**
At Valuation					
Freehold Land	74,553,500	–	–	–	**74,553,500**
Freehold Buildings	53,446,500	–	–	–	**53,446,500**
	128,000,000	–	–	–	**128,000,000**
Total Value of Depreciable Assets	301,785,277	28,977,152	(9,319,500)	–	**321,442,929**

3.2.2 Depreciation

At Cost	Balance As at 01.04.2011 Rs.	Charge for the year Rs.	Disposals Rs.	Transfers Rs.	Balance As at 31.03.2012 Rs.
Plant, Machinery and Other Equipment	18,828,676	5,887,617	–	905,115	**25,621,408**
Furniture and Fittings	5,398,854	248,956	–	–	**5,647,810**
Motor Vehicles	48,411,951	8,467,156	(7,759,500)	2,140,099	**51,259,706**
Office Equipment	26,889,901	5,142,669	–	344,183	**32,376,753**
	99,529,382	19,746,398	(7,759,500)	3,389,397	**114,905,677**
Assets on Finance Leases					
Plant and Machinery	905,115	–	–	(905,115)	**–**
Motor Vehicles	4,472,147	2,904,029	–	(2,140,099)	**5,236,077**
Office Equipment	344,183	–	–	(344,183)	**–**
	5,721,445	2,904,029	–	(3,389,397)	**5,236,077**
At Valuation					
Freehold Building	1,002,122	1,336,163	–	–	**2,338,285**
Total Depreciation	106,252,949	23,986,590	(7,759,500)	–	**122,480,039**

3. PROPERTY, PLANT AND EQUIPMENT (Contd...)

3.2.3 Net Book Values

	2012	2011
At Cost	**Rs.**	**Rs.**
Plant, Machinery and Other Equipment	**17,001,870**	19,126,009
Furniture and Fittings	**1,475,177**	1,276,264
Motor Vehicles	**30,134,432**	13,460,321
Office Equipment	**15,405,630**	17,530,966
	64,017,109	51,393,560
Assets on Finance Leases		
Plant and Machinery	**–**	3,008,885
Motor Vehicles	**9,284,066**	13,828,188
Office Equipment	**–**	303,817
	9,284,066	17,140,890
	73,301,175	68,534,450
At Valuation		
Freehold Land	**74,553,500**	74,553,500
Freehold Buildings	**51,108,215**	52,444,378
	125,661,715	126,997,878
Total Carrying Amount of Property, Plant & Equipment	**198,962,890**	195,532,328

3.2.4 The land and buildings were revalued during the financial year 2011 by Mr. G.J. Sumanasena, an independent valuer. The results of such revaluations were incorporated in these financial statements from its effective date which is July 2010. Such assets were valued based on an open market values. The surplus arising from the revaluation was transferred to the revaluation reserve.

The carrying amount of the revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.	Cumulative Depreciation if assets were carried at cost Rs.	Net Carrying Amount 2012 Rs.	Net Carrying Amount 2011 Rs.
Freehold Land	912,900	–	**912,900**	912,900
Freehold Buildings	4,128,177	2,111,960	**2,016,217**	2,119,421

3.2.5 The useful lives of the assets is estimated as follows;

	2012 Rs.	2011 Rs.
Buildings	**40 Years**	40 Years
Plant and Machinery	**13.33 Years**	13.33 Years
Furniture and Fittings	**10 Years**	10 Years
Motor Vehicles	**5 Years**	5 Years
Office Equipment	**5 Years**	5 Years

3.2.6 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 28,977,152/- (2011 - Rs. 30,627,297/-). Cash payments amounting to Rs. 28,977,152/- (2011 - Rs. 20,857,154/-) were made during the year for purchase of Property, Plant and Equipment.

3.2.7 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 60,933,949/- (2011 - Rs. 64,457,821/-)

4. INTANGIBLE ASSETS

	Group 2012	Group 2011	Company 2012	Company 2011
TRADE MARK	**Rs.**	**Rs.**	**Rs.**	**Rs.**
As at 1 April	**1,500,000**	1,500,000	**1,500,000**	1,500,000
As at 31 March	**1,500,000**	1,500,000	**1,500,000**	1,500,000

5. INVESTMENTS IN SUBSIDIARIES

5.1 Group

Non Quoted	Group Holding 2012 %	Group Holding 2011 %	Cost 2012 Rs.	Directors' Valuation 2012 Rs.	Cost 2011 Rs.	Directors' Valuation 2011 Rs.
Compak Morison (Lanka) Limited	**54**	54	**1**	**1**	1	1

This Company has been excluded from consolidation due to the reasons described in Note 2.1.3 under Accounting Policies.

5.2 Company

Non-Quoted	Group Holding 2012 %	Group Holding 2011 %	Company Holding 2012 %	Company Holding 2011 %	Cost 2012 Rs.	Directors' Valuation 2012 Rs.	Cost 2011 Rs.	Directors' Valuation 2011 Rs.
M. S. J. Industries (Ceylon) (Private) Limited	**100**	**100**	**100**	100	**57,700,000**	**57,700,000**	57,700,000	57,700,000
M. S. J. Cargoes (Ceylon) (Private) Limited	**100**	**100**	**100**	100	**1,550,000**	**1,550,000**	1,550,000	1,550,000
M. S. J. Foods (Ceylon) (Private) Limited	**100**	**100**	**100**	100	**370,000**	**370,000**	370,000	370,000
M. S. J. Tours (Ceylon) Limited	**100**	**100**	**100**	100	**1,200,000**	**1,200,000**	1,200,000	1,200,000
M. S. J. Promotional Services (Private) Limited	**100**	**100**	**100**	100	**5,200,000**	**5,200,000**	5,200,000	5,200,000
M. S. J. Hotels (Ceylon) Limited	**98**	**98**	**35**	35	**488,140**	**488,140**	488,140	488,140
Compak Morison (Lanka) Limited	**54**	**54**	**54**	54	**1**	**1**	1	1
Total Non-Quoted Investments in Subsidiaries					**66,508,141**	**66,508,141**	66,508,141	66,508,141
Total Net Carrying Value of Investments in Subsidiaries					**66,508,141**		66,508,141	

6 INVESTMENTS IN ASSOCIATES

6.1 Group

	Group Holding 2012 %	Group Holding 2011 %	Carrying Value 2012 Rs.	Carrying Value 2011 Rs.
Non-Quoted				
Canned & Health Food Ltd. (6.1.1)	**47**	47	**1**	1
Total Non Quoted Investments in Associates			**1**	1
Total Carrying Value of Investments in Associates			**1**	1

Investments in Associates

	Colombo Pharmacy Co. PLC 2012 Rs.	Colombo Pharmacy Co. PLC 2011 Rs.	Canned & Health Food Ltd. 2012 Rs.	Canned & Health Food Ltd. 2011 Rs.
Carrying Value as at 1 April	**–**	185,932,158	**1**	1
Share of Profit (Net of Tax)	**–**	3,160,225	**–**	–
Transfer to Profit on Disposal	**–**	(189,092,383)	**–**	–
Carrying Value as at 31 March	**–**	–	**1**	1

6.1.1 The investment cost in Canned and Health Food Ltd., was written off against the post acquisition losses in the consolidated financial statements.

6.2 Company

	Company Holding 2012 %	Company Holding 2011 %	Carrying Value 2012 Rs.	Carrying Value 2011 Rs.
Non-Quoted				
Canned & Health Food Ltd	47	47	**243,028**	243,028
Total Non-Quoted Investments in Associates			**243,028**	243,028
Total Carrying Value of Investments in Associates			**243,028**	243,028

7. OTHER INVESTMENTS

	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Current				
Investments in Equity Securities (7.1)	**5,427,887**	7,997,959	**5,427,887**	7,997,959
Investments in Government Securities	**–**	250,000,000	**–**	250,000,000
Investments in Fixed Deposits	**250,000,000**	–	**250,000,000**	–
	255,427,887	257,997,959	**255,427,887**	257,997,959
Non-Current				
Investments in Equity Securities	**250,000**	250,000	**–**	–
Total Carrying Value of Investments	**255,677,887**	258,247,959	**255,427,887**	257,997,959

7. OTHER INVESTMENTS (Contd...)

7.1 Investments in Equity Securities - Current

Quoted	No. of Shares 2012	No. of Shares 2011	Group/Company Carrying Value 2012 Rs.	Market Value 2012 Rs.	Carrying Value 2011 Rs.	Market Value 2011 Rs.
Sierra Cables PLC	**9,900**	9,900	32,670	32,670	**53,460**	53,460
Total Investments in Quoted Equity Securities			**32,670**	32,670	**53,460**	53,460
Non-Quoted	**No. of Units 2011**	**No. of Units 2010**				
Ceybank Unit Trust	**191,387.6**	191,387.6	**5,395,217**	5,395,217	**7,944,499**	7,944,499
Total Investments in Equity Securities			**5,427,887**	5,427,887	**7,997,959**	7,997,959

8. INVENTORIES

	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Raw Materials	**150,702,464**	116,787,942	**–**	–
Work in Progress	**20,604,157**	24,346,016	**–**	–
Finished Goods	**502,991,716**	468,087,104	**494,991,186**	458,144,723
Goods in Transit	**40,531,067**	20,612,344	**37,826,798**	–
Less: Provision for Short Expiry stock	**(1,894,261)**	(12,215,797)	**(1,894,261)**	(12,215,797)
	712,935,143	617,617,609	**530,923,723**	445,928,926

9. TRADE AND OTHER RECEIVABLES

	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Trade Debtors - Related Parties (9.1)	**–**	–	**21,957,147**	20,000,454
- Others	**614,055,842**	567,691,732	**513,923,369**	449,534,652
Other Debtors	**126,487,731**	98,660,373	**121,531,619**	93,507,917
Turnover Tax Receivable	**8,548,636**	8,548,636	**–**	–
	749,092,209	674,900,741	**657,412,135**	563,043,023

9.1 Amounts Due From Related Parties

	Relationship	Company 2012 Rs.	Company 2011 Rs.
M. S. J. Cargoes (Ceylon) (Private) Limited	Subsidiary Company	**13,221,759**	11,254,963
M. S. J. Foods (Ceylon) (Private) Limited	Subsidiary Company	**1,105,797**	1,083,257
M. S. J. Promotional Services (Private) Limited	Subsidiary Company	**3,744,275**	3,989,367
M. S. J. Hotels (Ceylon) Limited	Subsidiary Company	**3,885,316**	3,672,867
		21,957,147	20,000,454

10. STATED CAPITAL

	2012		2011	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	**5,808,290**	**6,182,310**	580,829	6,182,310
Fully Paid Non-Voting Ordinary Shares	**1,742,490**	**1,742,490**	174,249	1,742,490
	7,550,780	**7,924,800**	755,078	7,924,800

10.1 Rights, Preference and Restrictions of Classes of Capital

The Non-Voting shares are ranked pari passu with the existing Ordinary Shares of the Company including the right to participate in any dividend declared after the date of the issue, but excluding the right to vote.

10.2 Sub-division of Voting & Non-Voting Ordinary Shares

The Company with the sanction of the sharehoders at an Extraordinary General Meeting held on 21st December 2011, subdivided it's 580,829 Ordinary Voting Shares and 174,249 Ordinary Non-Voting Shares in issue on the basis of 10 Ordinary Shares for every 01 Ordinary Share held. Resultantly, the number of shares in issue increased to 5,808,290 Voting Shares and 1,742.490 Non-Voting Shares.

11. RESERVES

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Summary				
(a) Capital Reserves				
Revaluation Reserve (11.1)	**713,174,119**	713,174,119	**132,618,499**	132,618,499
Investment Fluctuation Reserve (11.2)	**–**	–	**–**	–
Other Capital Reserves (11.4)	**–**	–	**–**	–
	713,174,119	713,174,119	**132,618,499**	132,618,499
(b) Revenue Reserves				
General Reserve (11.3)	**730,800,000**	630,800,000	**728,928,122**	628,928,122
	1,443,974,119	1,343,974,119	**861,546,621**	761,546,621

11.1 Revaluation Reserve

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
On: Property, Plant & Equipment				
As at 1 April	**713,174,119**	207,698,734	**132,618,499**	42,438,386
Revaluation surplus during the year	**–**	435,296,478	**–**	81,367,350
Transfer from Capital Reserves	**–**	53,676,596	**–**	–
Effect on Transfer from Deferred Tax Liability	**–**	16,502,311	**–**	8,812,763
As at 31 March	**713,174,119**	713,174,119	**132,618,499**	132,618,499

11.2 Investment Fluctuation Reserve

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
As at 1 April	**–**	13,215,826	**–**	13,215,826
Transferred during the year	**–**	(13,215,826)	**–**	(13,215,826)
As at 31 March	**–**	–	**–**	–

11. RESERVES (Contd...)

11.3 General Reserve

General Reserve which is a revenue reserve represents the amounts set aside by the Directors for general application.

The movement of the General Reserve is as follows;

	Group		Company	
	2012	**2011**	**2012**	**2011**
	Rs.	**Rs.**	**Rs.**	**Rs.**
As at 1 April	**630,800,000**	480,800,000	**628,928,122**	478,928,122
Transferred during the year	**100,000,000**	150,000,000	**100,000,000**	150,000,000
As at 31 March	**730,800,000**	630,800,000	**728,928,122**	628,928,122

11.4 Other Capital Reserves

	Group		Company	
	2012	**2011**	**2012**	**2011**
	Rs.	**Rs.**	**Rs.**	**Rs.**
As at 1 April	**–**	53,676,596	**–**	–
Transferred during the year	**–**	(53,676,596)	**–**	–
As at 31 March	**–**	–	**–**	–

11.4.1 Other Capital Reserves consisted of net surplus resulting from the revaluation of Property, Plant and Equipment prior to 1999 and this was transferred to Revaluation Surplus.

12. INTEREST BEARING LOANS AND BORROWINGS

12.1 Group

	2012 Amount Repayable Within 1 Year Rs.	2012 Amount Repayable After 1 Year Rs.	2012 Total Rs.	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.
Finance Leases (12.1.1)	**5,740,847**	**8,987,081**	**14,727,928**	6,595,252	14,718,357	21,313,609
Bank Loans (12.1.2)	**16,586,873**	**31,941,290**	**48,528,163**	12,989,644	27,066,078	40,055,722
Trust Receipt Loans	**169,547,967**	**–**	**169,547,967**	212,497,950	–	212,497,950
Bank Overdrafts (16.2)	**61,116,539**	**–**	**61,116,539**	39,860,095	–	39,860,095
Other Loans	**–**	**1,325,000**	**1,325,000**	–	1,325,000	1,325,000
	252,992,226	**42,253,371**	**295,245,597**	271,942,941	43,109,435	313,727,376

12.1.1 Finance Leases

	As at 01.04.2011 Rs.	New Leases Obtained Rs.	Repayment Rs.	As at 31.03.2012 Rs.
Hatton National Bank PLC				
Gross Liability	29,684,889	–	(10,212,693)	**19,472,196**
Finance Charges Allocated to Future Periods	(8,371,280)	–	3,627,012	**(4,744,268)**
Net Liability	21,313,609	–	(6,585,681)	**14,727,928**

12. INTEREST BEARING LOANS AND BORROWINGS (Contd...)

12.1.2 Bank Loans

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2012 Rs.
DFCC Bank PLC	29,728,662	–	(7,432,188)	**22,296,474**
People's Bank	10,327,060	–	(5,559,796)	**4,767,264**
Bank of Ceylon	–	14,719,495	(2,500,000)	**12,219,495**
Hatton National Bank	–	10,341,680	(1,096,750)	**9,244,930**
	40,055,722	25,061,175	(16,588,734)	**48,528,163**

Bank	Effective Interest Rate	Terms of Repayment	Installment Value Rs.	Security
DFCC Bank PLC Loan	13%	Within 72 months	619,394	Mortgage Bond No 204,419,472, 272 and part of the Land and Buildings at No.620, Biyagama Road, Pethiyagoda, Kelaniya.
Peoples Bank Term Loan I	18%	Within 69 months	145,026	Primary mortgage over immovable property at 126/2, Aluthmawatha Road, Colombo 15.
Peoples Bank Term Loan II	17%	Within 60 months	366,600	Primary mortgage over immovable property at 126/2, Aluthmawatha Road, Colombo 15.

12.2 Company

	2012 Amount Repayable Within 1 Year Rs.	2012 Amount Repayable After 1 Year Rs.	2012 Total Rs.	2011 Amount Repayable Within 1 Year Rs.	2011 Amount Repayable After 1 Year Rs.	2011 Total Rs.
Finance Leases (12.2.1)	**3,238,247**	**5,918,201**	**9,156,448**	4,387,931	9,146,876	13,534,807
Bank Loans (12.2.2)	**4,754,321**	**16,710,105**	**21,464,426**	–	–	–
Trust Receipt Loans	**94,594,958**	**–**	**94,594,958**	100,652,827	–	100,652,827
Loans from Related Parties	**–**	**1,325,000**	**1,325,000**	–	1,325,000	1,325,000
Bank Overdrafts (16.2)	**55,653,313**	**–**	**55,653,313**	30,325,726	–	30,325,726
	158,240,839	**23,953,306**	**182,194,145**	135,366,484	10,471,876	145,838,360

12.2.1 Finance Leases

	As at 01.04.2011 Rs.	New Leases Obtained Rs.	Repayment Rs.	As at 31.03.2012 Rs.
Hatton National Bank PLC				
Gross Liability	18,682,297	–	(6,559,221)	**12,123,076**
Finance Charges Allocated to Future Periods	(5,147,490)	–	2,180,862	**(2,966,628)**
Net Liability	13,534,807	–	(4,378,359)	**9,156,448**

12. INTEREST BEARING LOANS AND BORROWINGS (Contd...)

12.2.2 Bank Loans

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2012 Rs.
Bank of Ceylon	–	14,719,495	(2,500,000)	**12,219,495**
Hatton National Bank	–	10,341,680	(1,096,749)	**9,244,931**
	–	25,061,175	(3,596,749)	**21,464,426**

13 RETIREMENT BENEFIT OBLIGATION

13.1 Gratuity

	Group		Company	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Balance as at the beginning of the year	**88,999,832**	71,410,593	**48,296,582**	39,740,125
Charge for the year (13.1.1)	**11,235,123**	21,469,432	**10,103,400**	11,415,926
Payments during the year	**(8,271,480)**	(3,880,193)	**(4,421,961)**	(2,859,469)
Balance as at the end of the year	**91,963,475**	88,999,832	**53,978,021**	48,296,582

13.1.1 Expense on Defined Benefit Plan

	Group		Company	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Current Service Cost	**6,397,951**	6,022,681	**4,184,431**	3,581,434
Interest Cost on Benefit Obligation	**11,569,979**	7,141,060	**6,278,556**	3,974,013
Acturial Loss/(Gain) for the year	**(6,732,807)**	8,305,691	**(359,587)**	3,860,479
	11,235,123	21,469,432	**10,103,400**	11,415,926

13.2 The defined benefit obligation (Gratuity) is calculated in accordance with the formula method as described in Appendix E of Revised SLAS 16 for the year ended 31 March 2012. Appropriate and compatible assumptions were used in determining the cost of retirement benefits.

	Group/ Company	
	2012	**2011**
Discount rate	**11%**	10%
Salary Increment	**8%**	9%
Staff Turnover	**8%**	8%
Retirement Age	**60 years**	60 years

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Trade Creditors - Others	**69,784,871**	139,983,240	**60,491,069**	129,515,978
- Related Parties (14.1)	**–**	–	**6,554,142**	28,193,263
Bills Payable	**314,717,371**	180,967,658	**314,717,371**	180,967,658
Sundry Creditors Including Accrued Expenses	**62,773,255**	63,605,030	**45,775,177**	42,924,185
	447,275,497	384,555,928	**427,537,759**	381,601,084

14. TRADE AND OTHER PAYABLES (Contd…)

14.1 Amounts Due to Related Parties

	Relationship	Company 2012 Rs.	Company 2011 Rs.
M.S.J. Industries (Ceylon) (Private) Limited	Subsidiary Company	**6,287,274**	27,884,535
M.S.J. Tours (Ceylon) Limited	Subsidiary Company	**266,868**	308,728
		6,554,142	28,193,263

15. DIVIDENDS PAYABLE

	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Unclaimed Dividends	**4,976,053**	2,798,496	**4,976,053**	2,778,643
	4,976,053	2,798,496	**4,976,053**	2,778,643

16. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
16.1 Favourable Cash & Cash Equivalent Balances				
Cash & Bank Balances	**19,694,143**	3,883,142	**18,732,792**	2,924,021
16.2 Unfavourable Cash & Cash Equivalent Balances				
Bank Overdrafts	**(61,116,539)**	(39,860,095)	**(55,653,313)**	(30,325,726)
Total Cash & Cash Equivalents for the Purpose of Cash Flow Statement	**(41,422,396)**	(35,976,953)	**(36,920,521)**	(27,401,705)

17. REVENUE

17.1 Summary

	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Sales	**2,986,583,458**	2,788,814,112	**2,501,552,361**	2,262,497,935
Less - Turnover Tax	**–**	(11,259,243)	**–**	(11,259,243)
Revenue	**2,986,583,458**	2,777,554,869	**2,501,552,361**	2,251,238,692

18 OTHER INCOME AND GAINS

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Management Fee Income - Related Parties	–	–	**111,161**	111,161
Commission Income	**447,773**	452,095	**447,773**	452,095
Profit on Disposal of Property, Plant and Equipment	**6,201,696**	–	**5,151,696**	–
Sundry Income	**561,819**	1,985,617	–	250,603
Unclaimed Dividend Write Back	–	–	–	–
Appreciation in Value of Investment	–	5,011,585	–	5,011,585
Dividend from Equity Securities				
- Related Parties	–	–	**17,000,000**	17,000,000
- Others	**383,666**	195,208	**383,666**	195,208
Machine Hiring Income	**1,558,328**	12,294,790	**1,558,328**	12,294,790
	9,153,282	19,939,295	**24,652,624**	35,315,442

18.1 Profit on Disposal of Investments

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Associate Company - Colombo Pharmacy Co. PLC - Sale Proceeds	–	199,932,069	–	199,932,069
(Less) - Carrying Value / Cost	–	(189,092,383)	–	(46,213,099)
Profit on Disposal	–	10,839,686	–	153,718,970
Profit on Disposal of Other Investment - Hotel Reef Comber PLC	–	10,336,238	–	10,336,238
	–	21,175,924	–	164,055,208

19 FINANCE COST AND INCOME

19.1 Finance Cost

	Group		Company	
	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.
Interest Expense on Overdrafts	**4,726,648**	5,952,725	**4,026,817**	4,823,020
Interest Expenses on Interest Bearing Loans and Borrowings				
- Related Parties	**199,295**	198,750	**199,295**	198,750
- Others	**7,094,338**	7,889,818	**2,282,485**	362,207
	12,020,281	14,041,293	**6,508,597**	5,383,977
Finance Charges on Lease Liabilities	**3,494,999**	3,461,392	**2,048,849**	2,319,379
	15,515,280	17,502,685	**8,557,446**	7,703,356

19.2 Finance Income

	Group 2012 Rs.	Group 2011 Rs.	Company 2012 Rs.	Company 2011 Rs.
Income from Investments				
-Interest on Fixed Deposits	**21,962,732**	10,001,369	**21,962,051**	10,001,369
-Interest on Government Securities	–	3,964,335	–	3,963,683
	21,962,732	13,965,704	**21,962,051**	13,965,052

20. PROFIT BEFORE TAX

Stated after Charging /Crediting

	Group		Company	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Included in Cost of Sales				
Employees Benefits including the following				
- Defined Contribution Plan Costs - EPF and ETF	**7,638,672**	6,334,931	**–**	–
- Salaries	**61,888,906**	59,224,773	**–**	–
- Bonus	**4,896,883**	5,500,000	**–**	–
Depreciation	**11,103,885**	9,208,914	**–**	–
Trust Receipt Loan Interest	**15,613,283**	23,513,091	**7,468,733**	11,958,183
Included in Administrative Expenses				
Employees Benefits including the following				
- Defined Benefit Plan Costs -Gratuity	**11,235,123**	21,469,432	**10,103,400**	11,415,926
- Defined Contribution Plan Costs - EPF and ETF	**6,473,734**	5,487,781	**4,886,939**	4,269,114
- Salaries	**77,684,455**	72,143,448	**48,566,936**	40,406,748
- Bonus	**6,028,000**	5,613,762	**3,963,465**	3,430,516
Depreciation	**18,691,168**	13,434,140	**17,270,345**	13,137,853
Audit Fees	**1,674,000**	1,448,500	**840,000**	700,000
Loss on Sale of Property, Plant and Equipment	**–**	268,662	**–**	268,662
Included in Selling and Distribution Costs				
Depreciation	**6,716,245**	5,109,165	**6,716,245**	5,109,165
Transport Costs	**98,454,860**	87,006,349	**92,271,642**	82,064,450
Advertising Costs	**56,832,800**	45,785,651	**22,721,782**	45,619,902

21. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 March are as follows :

	Group		Company	
Income Statement	**2012**	**2011**	**2012**	**2011**
Current Income Tax	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Current Income Tax charge (21.1)	**88,888,797**	116,454,182	**59,133,111**	60,614,727
Dividend Tax	**1,700,000**	1,700,000	**1,700,000**	1,700,000
Under/(Over) Provision of current taxes in respect of prior years	**(2,675,593)**	949,657	**10,253**	(206,105)
	87,913,204	119,103,839	**60,843,364**	62,108,622
Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (21.2)	**5,637,642**	5,723,440	**(134,473)**	(2,692,122)
	93,550,846	124,827,279	**60,708,891**	59,416,500

21. INCOME TAX EXPENSE (Contd…)

21.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Group		Company	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Accounting Profit before Tax	**311,969,165**	310,729,160	**208,773,088**	309,729,798
Adjustment for Associate Company Profit/(Loss)	**–**	3,160,225	**–**	–
Non deductible Expenses	**61,560,502**	71,989,697	**46,360,814**	45,932,269
Deductible Expenses	**(77,728,650)**	(65,311,623)	**(65,906,270)**	(199,001,567)
Brought Forward Tax losses Utilised	**(625,578)**	(1,829,965)	**–**	–
Interest Income	**22,284,551**	13,965,052	**21,962,051**	13,965,052
Taxable Profit	**317,459,990**	332,702,547	**211,189,683**	170,625,552
Statutory Tax Rate	**28%**	35%	**28%**	35%
Current Income Tax Expense	**88,888,797**	114,733,184	**59,133,111**	59,718,943
Social Responsibility Levy - (2011-1.5%)	**–**	1,720,998	**–**	895,784
	88,888,797	116,454,182	**59,133,111**	60,614,727

21.2 DEFERRED INCOME TAX

21.2.1 Group

	Balance Sheet		Income Statement	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Deferred Tax Liability				
Capital allowances for tax purposes	**25,422,829**	20,304,373	**(5,118,456)**	(6,998,691)
Revaluation of Buildings	**11,759,739**	11,759,739	**–**	–
	37,182,568	32,064,112		
Deferred Tax Assets				
Defined Benefit Plans	**25,749,773**	26,268,959	**(519,186)**	1,275,251
	25,749,773	26,268,959		
Deferred Income Tax Income/(Expense)			**(5,637,642)**	(5,723,440)
Net Deferred Tax Liability	**11,432,795**	5,795,153		
Deferred Tax Assets	**(12,367,958)**	(12,233,484)		
Deferred Tax Liabilities	**23,800,753**	18,028,637		
Net Deferred Tax Liability	**11,432,795**	5,795,153		

21.2.2 Company

	Balance Sheet		Income Statement	
	2012 Rs.	**2011 Rs.**	**2012 Rs.**	**2011 Rs.**
Deferred Tax Liability				
Capital allowances for tax purposes	**2,745,888**	2,045,480	**(700,408)**	2,322,202
Revaluation of Buildings	**–**	–	**–**	–
	2,745,888	2,045,480		
Deferred Tax Assets				
Defined Benefit Plans	**15,113,846**	14,278,964	**834,881**	369,920
	15,113,846	14,278,964		
Deferred Income Tax Income/(Expense)			**134,473**	2,692,122
Deferred Tax Assets	**(12,367,958)**	(12,233,484)		

22. EARNINGS PER SHARE

22.1 Basic Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

22.2 The following reflects the income and share data used in the basic Earnings Per Share computation.

	Group		Company	
	2012	**2011**	**2012**	**2011**
Amount Used as the Numerator:	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Profit for the year Equity Holders of the Parent	**218,415,603**	185,900,222	**148,064,197**	267,313,298
	2012	**2011**	**2012**	**2011**
Number of Ordinary Shares Used as Denominator:	**Number**	**Number**	**Number**	**Number**
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings per Share	**7,550,780**	7,550,780	**7,550,780**	7,550,780

23. DIVIDENDS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	Rs.	**Rs.**	**Rs.**	**Rs.**
23.1 Declared and paid during the year				
Equity dividend on ordinary shares :				
Final dividend for 2009/2010	–	12,458,787	–	12,458,787
Final dividend for 2010/2011	**15,101,560**	15,101,560	**15,101,560**	15,101,560
Interim dividend for 2011/2012	**11,326,170**	–	**11,326,170**	–
	26,427,730	27,560,347	**26,427,730**	27,560,347
23.2 Proposed for approval at AGM (not recognised as a liability as at 31 March)				
Equity dividend on ordinary shares :				
Second & Final dividend for 2011/12- Rs. 2/- (tax free) per share (2010/2011 - Rs.2 per share)	**15,101,560**	15,101,560	**15,101,560**	15,101,560

24. COMMITMENTS AND CONTINGENCIES

(a) Capital Expenditure Commitments

There are no significant commitments as at the Balance Sheet date.

(b) Contingencies

There are no significant contingencies as at the Balance Sheet date.

25. ASSETS PLEDGED

As at the Balance Sheet date the following assets have been pledged, as securities for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged Group 2012 Rs.	Carrying Amount Pledged Group 2011 Rs.	Carrying Amount Pledged Company 2012 Rs.	Carrying Amount Pledged Company 2011 Rs.
Immovable Properties	Primary mortgage over immovable property at 126/2, Aluthmawatha Road, Colombo 15.	711.3 Mn.	717.4 Mn.	–	–
Leased Assets	Charged over Leased Assets on Finance Lease Liabilities	17.3 Mn.	26.5 Mn.	9.3 Mn.	17.1 Mn.
Inventory	a) Documents of title to goods shipped.	713.4 Mn.	617.6 Mn.	531.1 Mn.	445.9 Mn.
	b) Indemnity of the company				
	c) Agreement to mortgage the machinery imported.				
	d) Mortgage over machinery imported.				
Trade Debtors	Charged over trade Finance facilities (Import credit)	614 Mn	567.6 Mn.	513.9 Mn.	449.5 Mn.

26. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustments to, or disclosure in the financial statements.

27. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

27.1 Transactions with the related entities

	M.S.J. Industries (Ceylon) (Pvt) Ltd		Other Subsidiaries		Total	
	2012	2011	2012	2011	2012	2011
Nature of Transaction	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	**(27,884,534)**	22,857,534	**19,691,726**	22,565,390	**(8,192,808)**	45,422,924
Purchase of Goods	**(98,480,763)**	(154,833,118)	–	–	**(98,480,763)**	(154,833,118)
Transfer of Property and Other Assets	–	–	–	(5,255,000)	–	(5,255,000)
Rendering of Services	–	(614,521)	–	(2,618,720)	–	(3,233,241)
Receipt of Services	**(614,754)**	–	**(2,965,835)**	–	**(3,580,589)**	–
Dividend Income	**15,300,000**	15,300,000	–	–	**15,300,000**	15,300,000
Finance Income	–	–	–	–	–	–
Management Fees Paid	–	–	**124,500**	124,500	**124,500**	124,500
Investments made by the Company	–	–	–	–	–	–
Settlement of Liabilities on behalf of the Company	–	–	**(41,264,360)**	(33,494,803)	**(41,264,360)**	(33,494,803)
Settlement of Liabilities by the Company on behalf of others	**174,101,191**	159,829,720	**46,104,248**	38,370,359	**220,205,439**	198,200,079
Fund Transfers	**(68,708,414)**	(70,424,149)	–	–	**(68,708,414)**	(70,424,149)
As at 31 March	**(6,287,274)**	(27,884,534)	**21,690,279**	19,691,726	**15,403,005**	(8,192,808)

27.2 Transactions with Key Management Personnel of the Company

The key management personnel of the Company are the members of its Board of Directors.

Key Management Personnel Compensation	Rs.	Rs.
Short-term employee benefits	17,369,488	15,370,547

27.3 Other related parties

A Key Management Personnel has control over a sole proprietorship from which the Company obtained relating to the hire of vehicle amounting to Rs. 768,000/- (2011 - Rs.768,000/-) during the year, based on cash terms.

28. Segmental Information

REVENUE	Manufacturing & Trading		Promotional Activities		Hotel Industry		Wharf Clearing Activities		Transport Service		Group Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Total Gross Income	**3,085,140,850**	2,922,722,429	**–**	1,394,764	**–**	–	**1,722,863**	1,518,532	**–**	–	**3,086,863,713**	2,925,635,725
Less: Inter Segment Income	**(98,557,392)**	(145,167,560)	**–**	(1,394,764)	**–**	–	**(1,722,863)**	(1,518,532)	**–**	–	**(100,280,255)**	(148,080,856)
Segment Revenue	**2,986,583,458**	2,777,554,869	**–**	–	**–**	–	**–**	–	**–**	–	**2,986,583,458**	2,777,554,869
RESULT												
Gross Profit	**843,139,462**	780,651,494	**–**	(1,784,676)	**–**	–	**–**	(1,872,097)	**–**	–	**843,139,462**	764,699,931
Administrative and Selling & Distribution Cost	**(544,458,490)**	(494,133,392)	**(165,458)**	(349,251)	**(85,686)**	(124,995)	**(2,038,398)**	–	**(23,000)**	(101,596)	**(546,771,031)**	(494,709,234)
Other Operating Income	**9,153,282**	6,328,823	**–**	1,315,683	**–**	–	**–**	–	**–**	–	**9,153,282**	19,939,295
Operating Profit/(Loss)	**–**	292,846,925	**–**	(818,244)	**–**	(124,995)	**–**	(1,872,097)	**–**	(101,596)	**305,521,713**	289,929,993
Finance Expense	**(15,515,280)**	(17,502,685)	**–**	–	**–**	–	**–**	–	**–**	–	**(15,515,280)**	(17,502,685)
Finance Income	**21,962,051**	13,965,052	**–**	–	**–**	–	**–**	–	**681**	652	**21,962,732**	13,965,704
Profit on Disposal of Investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	21,175,924
Share of Associate Company's Profit	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	3,160,225
Income Tax Expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(93,550,846)**	(124,827,279)
Profit for the year	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**218,418,319**	185,901,881
OTHER INFORMATION												
Segment Assets	**2,714,403,598**	2,530,347,712	**507,553**	487,383	**161,860**	133,611	**141,711**	216,710	**38,355**	37,674	**2,715,253,077**	2,531,223,090
Investment in Equity Method Associate	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1**	1
Consolidated Total Assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**2,715,253,078**	2,531,223,091
Segment Liabilities	**864,015,810**	871,789,550	**2,618,475**	2,776,490	**20,000**	35,961	**61,000**	55,027	**41,140**	60,000	**866,756,425**	874,717,027
OTHERS												
Purchase of Property, Plant & Equipment	**33,914,088**	39,587,886	**–**	–	**–**	–	**–**	–	**–**	–	**33,914,088**	39,587,886
Depreciation	**33,276,131**	27,752,219	**–**	–	**–**	–	**–**	–	**–**	–	**33,276,131**	27,752,219
Retirement Gratuity	**91,963,475**	88,999,832	**–**	–	**–**	–	**–**	–	**–**	–	**91,963,475**	88,999,832

SHARE STRUCTURE AS AT 31 MARCH, 2012

Voting Ordinary Shareholders

No. of Holders	Holdings	Total	Holdings %
542	1 – 1,000 shares	126,221	2.17
100	1,001 – 5,000 shares	249,657	4.30
27	5,001 – 10,000 shares	198,752	3.42
27	10,001 – 50,000 shares	488,780	8.42
7	50,001 – 100,000 shares	485,630	8.36
3	100,001 – 500,000 shares	829,610	14.28
1	500,001 – 1,000,000 shares	697,000	12.00
2	> 1,000,000 shares	2,732,640	47.05
709		5,808,290	100.00

Non-Voting Ordinary Shareholders

No. of Holders	Holdings	Total	Holdings %
453	1 – 1,000 shares	137,902	7.91
77	1,001 – 5,000 shares	179,198	10.28
19	5,001 – 10,000 shares	138,550	7.95
12	10,001 – 50,000 shares	244,930	14.06
2	50,001 – 100,000 shares	142,800	8.20
4	100,001 – 500,000 shares	899,110	51.60
567		1,742,490	100.00

	Holdings No. of Shares	%
Public Holdings – Voting Shares	1,531,440	26.37
– Non-Voting Shares	898,500	51.56

	Highest Rs.	Lowest Rs.
Market Value per share during the financial year – Voting	450.00	194.00
– Non-Voting	360.00	115.00

Market Value per share at end of the financial year – Voting	**212.10**
– Non-Voting	**126.70**

20 Major Voting Shareholders as at 31 March, 2012

Name of Shareholder	No. of Shares	%
01. Smythe & Vickers Ltd.	1,381,280	23.78
02. Abeyawira Investments Ltd.	1,351,360	23.27
03. Abeyawira Benevolent Investment Custodial Services (Pvt) Ltd.	697,000	12.00
04. Carvalho Investments Ltd.	410,380	7.07
05. Mr. N. P. De A. Samaranayake	246,000	4.24
06. Mr. R. Abeyawira	188,230	3.24
07. Mr. W. M. G. Wijesundera	90,660	1.56
08. Mr. S. Abishek	77,000	1.33
09. Mr. T. Madigasekera	70,970	1.22
10. Mr. B. J. Karunatilleka (Deceased)	65,000	1.12
11. Est of Late M Sri Mahadeva	65,000	1.12
12. M/s Vanik Corporate Services Ltd. A/C No. 2	63,000	1.08
13. Mrs. G. N. Fernando	54,000	0.93
14. Mr. A. Singh	43,000	0.74
15. Mr. K. S. De Z. Jayatilleke	28,000	0.48
16. United Motors Lanka PLC	28,000	0.48
17. Mr. M. Radhakrishnan	27,140	0.47
18. Miss. S. Durga	26,300	0.45
19. Mr. C. F. G. Perera	20,160	0.35
20. Mr. T. T. W. K. Fernando	20,000	0.34
	4,952,480	85.27

DIRECTORS' SHAREHOLDINGS (VOTING)

	No. of Shares	
	Beginning of the Year Voting	**End of the Year Voting**
R. Abeyawira	18,823	188,230
N. P. De A. Samaranayake	24,600	246,000
B. M. Amarasekera	260	2,600
S. I. Abeyawira	–	–
A. M. Prematilleke	–	–
N. C. Keppetiwalana	–	–
A. S. Abeyewardene	–	–

	No. of Shares	%
Public Holdings	1,531,440	26.37

20 Major Non-Voting Shareholders as at 31 March, 2012

Name of Shareholder	No. of Shares	%
01. Smythe & Vickers (Private) Ltd.	414,380	23.78
02. Waldock Mackenzie Ltd./ Mr. H. M. S. Abdulhussein	190,630	10.94
03. Abeyawira Investments Ltd.	175,400	10.07
04. Mr. T. T. T. Al-Nakib	118,700	6.81
05. Est of Late M. Sri Mahadeva	84,000	4.82
06. Mr. N. P. De A. Samaranayake	58,800	3.37
07. Mr. K. Perampalam	34,600	1.99
08. Mr. W. M. G. Wijesundera	27,190	1.56
09. Mr. Y. H. Abdulhussein	27,000	1.55
10. Mr. B. J. Karunatilleka (Deceased)	19,500	1.12
11. Sithlanka (Private) Limited	19,000	1.09
12. M/s Vanik Corporate Services Ltd. A/C No. 2	18,900	1.08
13. Essajee Carimjee & Company (Pvt) Ltd.	18,400	1.06
14. Waldock Mackenzie Ltd./ Mrs. G. Soysa	18,000	1.03
15. Mr. S. Mylventhen	17,400	1.00
16. Mr. U. I. Suriyabandara	16,740	0.96
17. Mrs. G. N. Fernando	16,200	0.93
18. United Motors Lanka PLC	12,000	0.69
19. Merchant Bank of Sri Lanka PLC/ Mr. Kamal Raja UpaliGunawardena	10,000	0.57
20. Mr. G. C. Goonetilleke	9,230	0.53
	1,306,070	74.95

DIRECTORS' SHAREHOLDINGS (NON-VOTING)

	No. of Shares	
	Beginning of the Year Non-Voting	End of the Year Non-Voting
R. Abeyawira	715	700
N. P. De A. Samaranayake	5,880	58,800
B. M. Amarasekera	108	1,080
S. I. Abeyawira	–	–
A. M. Prematilleke	–	–
N. C. Keppetiwalana	100	1,000
A. S. Abeyewardene	–	2,000

	No. of Shares	%
Public Holdings	898,500	51.56

J. L. MORISON SON & JONES (CEYLON) PLC

GROUP FINANCIAL HIGHLIGHTS – 5 YEAR SUMMARY

TRADING RESULTS:	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Profit Before Tax	114,801,809	131,709,686	160,422,868	**310,729,160**	**311,969,165**
Taxation	(40,172,495)	(51,756,765)	(60,886,880)	**(124,827,279)**	**(93,550,846)**
	74,629,314	79,952,921	99,535,988	**185,901,881**	**218,418,319**
Minority Interest	(3,037)	(2,637)	(3,287)	**(1,659)**	**(2,716)**
Group Profit After Tax	74,626,277	79,950,284	99,532,701	**185,900,222**	**218,415,603**
FUNDS EMPLOYED:					
Stated Capital	7,924,800	7,924,800	7,924,800	**7,924,800**	**7,924,800**
Revaluation Reserve	261,375,330	261,375,330	261,375,330	**713,174,119**	**713,174,119**
General Reserve	400,800,000	430,800,000	480,800,000	**630,800,000**	**730,800,000**
Investment Function Reserve	13,215,826	13,215,826	13,215,826	**–**	**–**
Retained Earnings	199,618,458	271,724,854	282,951,699	**304,507,400**	**396,495,273**
Shareholders' Funds	882,934,414	955,040,810	1,046,267,655	**1,656,406,319**	**1,848,394,192**
Minority Interest	92,162	94,799	98,086	**99,745**	**102,461**
Total Equity	883,026,576	955,135,609	1,046,365,741	**1,656,506,064**	**1,848,496,653**
Long Term Liabilities	38,682,084	64,098,426	48,915,034	**43,109,435**	**42,253,371**
Deferred Liabilities	81,987,442	82,902,067	87,984,617	**107,028,469**	**115,764,228**
	1,003,696,102	1,102,136,102	1,183,265,392	**1,806,643,968**	**2,006,514,252**
ASSETS EMPLOYED:					
Current Assets	1,042,634,380	1,235,858,956	1,233,996,547	**1,554,399,451**	**1,737,149,382**
Current Liabilities	(628,548,516)	(828,715,802)	(755,001,383)	**(724,579,123)**	**(708,738,826)**
Net Current Assets	414,085,864	407,143,154	478,995,164	**829,820,328**	**1,028,410,556**
Investment in Associate/Subsidiary Companies	148,795,118	191,537,514	185,932,160	**2**	**2**
Long Term Investments	250,001	250,001	250,000	**250,000**	**250,000**
Property, Plant & Equipment	439,065,119	501,705,433	516,588,068	**962,840,154**	**963,985,736**
Intangible Assets	1,500,000	1,500,000	1,500,000	**1,500,000**	**1,500,000**
Deferred Tax Assets	–	–	–	**12,233,484**	**12,367,958**
	1,003,696,102	1,102,136,102	1,183,265,392	**1,806,643,968**	**2,006,514,252**
Return on Equity	8.45%	8.37%	9.51%	**11.22%**	**11.82%**
Current Ratio	1.66	1.49	1.63	**2.15**	**2.45**
Gearing Ratio	11.91%	15.48%	10.78%	**5.76%**	**6.37%**
Earnings Per Share (Rs.)	9.88	10.59	13.18	**24.62**	**28.93**
Net Assets Per Share (Rs.)	116.95	126.50	138.58	**219.38**	**244.80**
Dividend Per Share (Rs.) - Declared & Paid	0.80	1.04	1.10	**3.45**	**1.50**
- Proposed (Tax Free)	1.04	1.10	1.65	**2.00**	**2.00**
Dividend Cover	9.50	9.63	7.99	**16.69**	**8.27**
Price/Earning Ratio	3.74	3.31	5.31	**6.90**	**7.33**
Market Value Per Share (Voting) – Rs.	370.00	350.00	700.00	**2,160.00**	**212.10**
Market Value Per Share (Non-voting) – Rs.	274.25	240.00	612.00	**1,810.00**	**126.70**
Dividend Payout Ratio	0.105	0.104	0.125	**0.081**	**0.12**

The following stable market prices were recorded for the year.

	Voting	Non-Voting
Highest - Rs.	450.00	360.00
Lowest - Rs.	194.00	115.00

CHAIRMAN'S REPORT

On behalf of the Board of Directors of your Company, I welcome you all, to its Seventy Third Annual General Meeting.

I am pleased to present the Annual Report and Audited Accounts for the year 31st March 2012.

In 2011, the Sri Lanka economy reported a growth of over 8% and also was able to restrict inflation to single digits. With priority given to the development of the North and East, there was a boost in sales geographically. However, global developments were not favourable and the trade deficit widened, resulting in prudent fiscal discipline having to be maintained.

Despite the volatile scenario, your Company performed satisfactorily. We have achieved a gross profit of Rs. 658.83 millions on a turnover of Rs. 2.50 billions. The comparable figures are Rs. 556.36 millions and Rs. 2.25 billions respectively. The Company paid an interim dividend of Rs. 1.50 per Voting & Non-Voting share in March 2012 and your Directors recommend a second & final dividend of Rs. 2.00 (tax free) per Voting & Non-Voting share for the year 2012.

The Group figures for the year are a turnover of Rs. 2.99 billions and the Profit After Tax was Rs. 218.42 millions.

The projection for the current financial year will have to be made with caution and prudence and it has to be very conservative, as we are trading on a completely different entity, environmentally more inconsistent and erratic than the previous year. Despite, the anticipated challenging year we will endeavor to deliver good results.

I thank the Board of Directors and the entire JLM Group and Staff for their co-operation and commitment and also, our principals, distributors, associates and stakeholders.

R. ABEYAWIRA
Chairman

J. L. MORISON SON & JONES (CEYLON) PLC

PROXY

I/We . . . .

of . . . . being a member/members of the above named

Company hereby appoint:

REGINALD ABEYAWIRA	of Mount Lavinia or failing him
BERTRAM MANSON AMARASEKERA	of Colombo or failing him
NIHAL PARAKRAMA DE ALWIS SAMARANAYAKE	of Colombo or failing him
SRIMATHIE IRANGANIE ABEYAWIRA	of Mount Lavinia or failing her
ANJULA MEWNATH PREMATILLEKE	of Rajagiriya or failing him
NAYOMA CHANAKA KEPPETIWALANA	of Dehiwala or failing him
ASOKA SRIWICKREMA ABEYEWARDENE	of Colombo or failing him

. . . . of . . . .

. . . . as my/our Proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 28th day of September, 2012 and at any adjournment thereof.

Signed this . . . . day of . . . . 2012.

Signature . . . .

Note: If you are unable to attend and vote at this meeting, you may appoint one of the above Directors or any other person to represent you. A Proxy need not be a member of the Company. This Proxy must be deposited at the Registered Office at 618, 620 Biyagama Road, Pethiyagoda, Kelaniya, at least 48 hours before the time fixed for the meeting.