Morison

**MORISON LIMITED**

ANNUAL REPORT 2021/22

## Contents

## Morison Limited

*Morison Limited is a fully Sri Lankan owned company with seven decades of experience and working relationships in the country.*

*Our Purpose is to make premium healthcare affordable because all Sri Lankan families deserve equal access to high quality medicine.*

*As one of the oldest and largest pharmaceutical manufacturers in Sri Lanka, we take pride in providing for the healthcare needs of the private and public sector.*

*In addition to manufacturing high quality pharmaceutical and OTC products, we also import and distribute internationally renowned healthcare and consumer products via our island wide distribution network.*

# MILESTONES AND EVENTS

## 1937 - 1950

### 1937

Mr. Russell Elliot was posted by J. L. Morison Son & Jones (UK) as the first agent to set up a trading outpost in Sri Lanka.

### 1939

J. L. Morison Son & Jones (Ceylon) was incorporated on 31 January1939, on the eve of the Second World War by Mr. J E Ogle, a director of the parent company.

### 1941-1950

**During World War II**
Operations were temporarily shifted to Kadugannawa in the Kandy district, where business was tapered and remained subdued.

**Post World War II**
Recommenced the Colombo operations and increased brand presence for its earlier products viz. Marmite & Brylcreem.

### 1950

Secured the agency rights for Mead Johnson Nutritionals Ltd to distribute the brands in its portfolio, leading up to popularising 'Sustagen' as a trusted household brand.

## 1951 - 1960

### 1952

Mr. M. B. Ogle took over the reins of J. L. Morison (Ceylon) and went on to extend an invaluable service for over 30 years to the Company.

Mr. Reginald Abeyawira who led J. L. Morison (Ceylon) with farsightedness for over a period of 60 years, joins the cadre as a trainee clerk.

### 1959

MSJ Industries (Ceylon) Ltd, a pioneer in generic pharmaceutical manufacturing is incorporated as a wholly owned subsidiary under the aegis of the Founder/Director, Mr. U. Karunatileka.

### 1960

Shifted operations to its own premises equipped with modern amenities and factory at 126, Aluthmawatha Road, Colombo 15.

# 1961 - 1970

## 1964

Broad based 100% foreign shareholding of J. L. Morison (Ceylon) listed on the Colombo Stock Exchange on 01 January 1964; as one of the first commercial ventures to list in Sri Lanka.

## 1968

Established a subsidiary, MSJ Cargoes (Ceylon) Ltd to offer a one-stop solution for clearing, forwarding, warehousing and transportation.

## 1969

Ventured into trading food products - tinned fruits and juices under the MSJ brand name.

## 1970

Set up a book division with an agency agreement with Granada Publishing Ltd, UK and began the MSJ picture postcards project.

# 1971 - 1980

## 1971

Commenced importing and distributing agro based products in affiliation with a Japanese company, Tozai Boeki Kaisha Ltd.

Acquired 78% stake of Canned & Preserved Foods Ltd, adding value to the food trading operations with a range of canned and preserved food products including catering to the export market.

## 1972

A new subsidiary, MSJ Foods (Ceylon) Ltd commenced its trading operations.

## 1977

Purchased 6 ½ acres at 620, Biyagama Road, Pethiyagoda, Kelaniya to erect a new office complex to accommodate the growing operations.

## Milestones and Events

# 1980 - 1990

### 1981

Mr. M. B. Ogle retired after nearly 3 decades of invaluable service to J. L. Morison (Ceylon)

### 1983

With the parent company in UK winding down its operations, the majority stake of the Company was taken over by nationals, diluting the foreign shareholding from 49% to 33%.

### 1986

Erected a new office premises and shifted part of the operations - the stores and marketing division to Pethiyagoda, Kelaniya.

# 1991 - 2000

### 1991

Pioneered and established Compak Morison (Lanka) Ltd to manufacture particle Board out of paddy straw.

### 1992

Compak Morison (Lanka) Ltd was listed on the Colombo Stock Exchange with an initial public offer which was oversubscribed. Non-viability of the project was subsequently established and discontinued operations in the mid 1990s.

### 1993

Mr. Richard Gunatilake, after a dedicated stint of over 45 years, retired from his duties as a Board Director.

### 1997

Bought over the 33% non-resident shareholding to become a fully owned local entity.

### 1998

Mr. U. Karunatileka, the founding Director of MSJ Industries who played a critical role in taking forward the manufacturing operations and also the generic pharmaceutical industry in Sri Lanka, retired from service after nearly 40 years.

### 2000

In conformance with the Sri Lanka Accounting Standards, J. L. Morison (Ceylon) consolidated its accounts with the Colombo Pharmacy Ltd with which it had an equity investment of 24%.

# 2001 - 2015

## 2002

Principals of Godrej Sara Lee and Sara Lee TTK commenced local manufacturing operations in collaboration with J. L. Morison (Ceylon).

## 2004

Shifted the administration and finance division to the new premises in Pethiyagoda, Kelaniya. Supported Tsunami affected families with dry rations, clothes, water and pharmaceuticals and initiated a housing project in the Galle district in partnership with the employees and principals.

## 2013

Diversified conglomerate Hemas Holdings PLC acquired the majority shareholding. Restructured and streamlined operations at J. L. Morison (Ceylon) with focus on healthcare and wellness products.

## 2014

Upgraded the manufacturing plant at Aluthmawatha Road, Colombo to increase capacity.

## 2015

Signed a 5 year buy back agreement with the Government of Sri Lanka.

Launched Atorvastatin, a new generic molecule.

# 2015 - 2022

## 2016

Launched the Morison's Rx branded pharmaceuticals range.

The Board of Directors resolved to build a new state of the art pharmaceutical research and manufacturing facility within the SLINTEC Nano Technology Park in Pitipana, Homagama.

## 2017

The Corporate name of J L Morison Son & Jones (Ceylon) PLC has been changed as Morison PLC

## 2018

Unveiled the "Morison Center of Excellence for Diabetes" (COED) partnering with the College of Endocrinologist.

## 2019

Morison PLC outsourced its warehousing and distribution process partnering with Spectra Logistics to comply with increasing demand for high quality storage practices in the pharmaceutical industry.

Launched "Meta Care" as a new business segment in the diabetic space.

95% of the construction and commissioning of new pharma manufacturing facility has been completed.

## 2021

Inaugurated the largest oral solid dosage pharmaceutical manufacturing and research plant in Sri Lanka.

## 2022

Introduced "EmpaMor" (Empagliflozin 10mg  25mg), the first ever locally manufactured SGLT2 (Sodium-Glucose Co-Transported-2), an oral medication to treat Type-2 Diabetes, at a significant price benefit from competition.

# ANNUAL REPORT OF THE DIRECTORS

The Directors have pleasure in presenting to the Members their report together with the audited Financial Statements of the Company, for the year ended 31st March 2022.

## 1. PRINCIPAL ACTIVITIES OF THE COMPANY

Manufacturing and trading in Pharmaceuticals and Cosmetics, Importing and distribution of pharmaceuticals, medical aid, hair care products, diagnostics reagent and equipment, and other consumer products.

## 2. FINANCIAL STATEMENTS OF THE COMPANY

The Financial Statements of the Company, duly certified by General Manager, Finance and signed by the Directors of the Company, in compliance with sections 152, 153 and 168 of the Companies Act No. 7 of 2007 are given on page 12 of the Annual Report.

## 3. PROPERTY, PLANT & EQUIPMENT

Movements in Property, Plant & Equipment during the year are set out in Note 3 to the Financial Statements.

## 4. FINANCIAL RESULTS

The total revenue of the Company for the year ended 31st March 2022 amounted to Rs. 4,196,544,210 (for 2020/2021 Financial Year – Rs. 4,196,035,013)

The profit/(Loss) before income tax of the Company for the year ended 31st March 2022 amounted to Rs. (373,938,723) (for 2020/2021 Financial Year - Rs. 366,597,899) and Profit/(Loss) after tax for the year) ended 31st March 2022 was Rs. (318,523,829) (for 2020/2021 Financial Year – Rs. 284,555,482)

## 5. DIRECTORS

The Board of Directors of the Company as at the date of this report are as follows:

| | | |
|---|---|---|
| 1. Mr. Murtaza A. H. Esufally | - | Chairman /Non-Executive Director |
| 2. Mr. A. M. Dinesh K. Athapaththu | - | Managing Director /Executive Director |
| 3. Mr. Ranjan Chakravarti | - | Independent Non-Executive Director |
| 4. Ms. B. Arundathi I. Rajakarier | - | Independent Non-Executive Director |
| 5. Ms. Kasturi A. Chellaraja Wilson | - | Non-Executive Director |
| 6. Mr. A. Zalmi Fazeel | - | Non-Executive Director |
| 7. Dr. Sanjit Singhe Lamba | - | Independent Non-Executive Director |

## 6. RE-ELECTION OF DIRECTORS

Ms. Kasturi A. Chellaraja Wilson retires by rotation in accordance with Article 84 of the Articles of Association, but being eligible, offers herself for re-election with the unanimous support of the Board.

Mr. A. Zalmi Fazeel retires by rotation in accordance with Article 84 of the Articles of Association, but being eligible, offers himself for re-election with the unanimous support of the Board.

## 6. DIRECTORS’ DISCLOSURE IN DEALING IN SHARES

**Directors’ Interest in Ordinary Voting Shares of the Company – Direct**

| | 31.03.2022 | 31.03.2021 |
|---|---:|---:|
| Mr. Murtaza Esufally | Nil | Nil |
| Mr. Dinesh Athapaththu | Nil | Nil |
| Ms. Arundathi Rajakarier | Nil | Nil |
| Mr. Ranjan Chakravarti | Nil | Nil |
| Ms. Kasturi Wilson | Nil | Nil |
| Mr. Zalmi Fazeel | Nil | Nil |
| Dr. Sanjit Singh Lamba | Nil | Nil |

**Directors’ Interest in Ordinary Non- Voting Shares of the Company - Direct**

| | 31.03.2022 | 31.03.2021 |
|---|---:|---:|
| Mr. Murtaza Esufally | Nil | Nil |
| Mr. Dinesh Athapaththu | Nil | Nil |
| Ms. Arundathi Rajakarier | Nil | Nil |
| Mr. Ranjan Chakravarti | Nil | Nil |
| Ms. Kasturi Wilson | Nil | Nil |
| Mr. Zalmi Fazeel | Nil | Nil |
| Dr. Sanjit Singh Lamba | Nil | Nil |

**Directors’ Interest in Ordinary Voting and Non- Voting Shares of the Company - Indirect**

| | 31.03.2022 | 31.03.2021 |
|---|---:|---:|
| Mr. Murtaza Esufally | Nil | Nil |
| Mr. Dinesh Athapaththu | Nil | Nil |
| Ms. Arundathi Rajakarier | Nil | Nil |
| Mr. Ranjan Chakravarti | Nil | Nil |
| Ms. Kasturi Wilson | Nil | Nil |
| Mr. Zalmi Fazeel | Nil | Nil |
| Dr. Sanjit Singh Lamba | Nil | Nil |

## 7. DONATIONS

During the year charitable donations amounting to Rs. 50,000/- were made by the Company. (2020/2021 Financial Year - Rs. 1,615,485/-)

## 8. STATUTORY PAYMENTS

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

## 9. RESERVES
Details of Capital and Revenue Reserves of the Company are given in Note 13 on page 32 to the Financial Statements.

## 10. STATED CAPITAL
Details of the Stated Capital of the Company are given in Note 12 to the Financial Statements. There was no movement in the stated capital during the accounting period under review.

## 11. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE
The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a Surcharge Tax, at the rate of 25%, to be imposed on each company of a group of companies, of which the aggregate of the taxable income of all subsidiaries and the holding company in that group of companies that have earned a taxable income in excess of LK Rs. 2,000 million for the year of assessment 2020/2021. The tax is imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on 7th April 2022. As the law imposing the surcharge tax was enacted after the reporting period end, the Financial Statements for the year ended 31st March 2022 do not reflect the tax liability that would arise in consequence, the amount of which is best estimated at LKR. 99.7 Mn.

## 12. INTEREST REGISTER
The Company has maintained an Interest Register in accordance with the Companies Act No. 7 of 2007 and is available for inspection as required by Section 119 (1) (d) of the aforesaid Act.

## 13. ENVIRONMENTAL PROTECTION
The Directors to the best of their knowledge and belief are satisfied that the Company has complied with the applicable environmental regulations and have not engaged in any activities, which may cause detriment to the environment.

## 14. SIGNIFICANT ACCOUNTING POLICIES
Significant Accounting Policies adopted by the Company in the preparation of the Financial Statements are given on pages 17 to 26 of this Annual Report.

## 15. GOING CONCERN
The Board of Directors has made an assessment on the Company's ability to continue as a going concern based on the most recent information available and is satisfied that it has the resources to continue in business for the foreseeable future. Considering a wide range of factors including history of stable operations, liquidity position, availability of external funding sources, defensive cashflows and the initiatives taken to strengthen risk monitoring, the Management is satisfied that the going concern basis is appropriate. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

## 16. EXTERNAL AUDITORS
The following payments were made to the Group's External Auditors, Messrs. Ernst & Young.

| | 2021/22 | 2020/21 |
|---|---:|---:|
| Audit Fees and Expenses | 2,478,060 | 2,417,885 |
| Fees for other services and Expenses | 942,519 | 1,138,967 |

As far as the Directors are aware, the Auditors do not have any interest or relationship with the Company other than those disclosed above.

The Report of the Auditors on the Financial Statements of the Company is set out on Page 10 of the Annual Report.

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

## 17. ANNUAL GENERAL MEETING (AGM)
The AGM of the Company for the financial year 2021/22 will be held on Monday, 27th June 2022 at 2.00 p.m., as a Virtual AGM.

## 18. ACKNOWLEDGEMENT OF CONTENTS OF THE REPORT
As required by Section 168 (1) (K) of the Companies Act No. 7 of 2007, the Board of Directors hereby acknowledge the contents of this Report.

Signed for and on behalf of the Board

**Murtaza Esufally**
*Chairman*

**Dinesh Athapaththu**
*Managing Director*

**Hemas Corporate Services (Pvt) Ltd**
*Secretaries*

Colombo
24th May 2022

# STATEMENT OF DIRECTORS' RESPONSIBILITY

In keeping with the provisions of the Companies Act No. 7 of 2007 the Directors of Morison Limited acknowledge their responsibility to prepare and present the Financial Statements of the Company, in accordance with the relevant sections of the aforesaid Act and the Sri Lanka Accounting Standards (SLFRSs/ LKASs).

The Financial Statements for the year ended 31st March 2022, presented in this Report have been prepared in compliance with the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 7 of 2007. The Directors consider that appropriate accounting policies and Standards have been applied and reasonable estimations made when preparing the statements presented in this annual report. A material deviation, if any, from these Standards has been disclosed where necessary.

The Directors confirm their responsibility for ensuring the maintenance of proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and, enable them to ensure that it's Financial Statements comply with the Companies Act No. 7 of 2007. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

In compliance with the Companies Act No. 7 of 2007, the Directors have caused to issue a copy of the annual report of the Company in a CD ROM, to every shareholder, fifteen working days before the date of the Annual General Meeting. A copy of the Financial Statements has also been delivered to the Registrar General of Companies.

**RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT**

We, the Directors of the Company, confirm that to the best of our knowledge the Financial Statements of the Company have been prepared in accordance with applicable laws and regulations and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that face the Company.

**Murtaza Esufally**
*Chairman*

**Dinesh Athapaththu**
*Managing Director*

**Shaminda Fernando**
*General Manager, Finance*

Colombo
24th May 2022

# FINANCIAL REPORTS

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# INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

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Chartered Accountants
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**INDEPENDENT AUDITOR'S REPORT**
**TO THE SHAREHOLDERS OF THE MORISON LIMITED**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Morison Limited, which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**Basis for opinion**

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

**Responsibilities of management and those charged with governance for the financial statements**

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

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

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

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

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

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

24th May 2022
Colombo

# STATEMENTS OF FINANCIAL POSITION

| As at 31 March | Note | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 3 | 5,980,312,632 | 5,328,373,992 |
| Right to Use Assets | 4 | 57,111,681 | 40,204,050 |
| Intangible Assets | 5 | 11,633,772 | 20,320,053 |
| Lease Receivable - Non current | 8 | 126,971,419 | 142,417,731 |
| Other Receivable - Non current | | - | 1,010,918 |
| | | 6,176,029,504 | 5,532,326,744 |
| **Current Assets** | | | |
| Inventories | 10 | 1,593,287,542 | 1,225,825,470 |
| Trade and Other Receivables | 11 | 1,374,121,347 | 1,586,633,273 |
| Advances and Prepayments | | 284,570,180 | 68,916,125 |
| Lease Receivable - Current | 8 | 61,364,426 | 66,897,809 |
| Income Tax Liabilities | | 2,637,056 | - |
| Cash and Cash Equivalents | 18 | 184,337,503 | 174,287,814 |
| | | 3,500,318,054 | 3,122,560,491 |
| Assets Held for Sale | 9 | 980,395,833 | - |
| | | 4,480,713,887 | 3,122,560,491 |
| **Total Assets** | | 10,656,743,391 | 8,654,887,235 |
| **EQUITY AND LIABILITIES** | | | |
| Stated Capital | 12 | 7,924,800 | 7,924,800 |
| Other Components of Equity | 13 | 1,901,609,419 | 1,807,838,934 |
| Retained Earnings | | 3,048,364,364 | 2,626,903,959 |
| **Total Equity** | | 4,957,898,583 | 4,442,667,693 |
| **Non-Current Liabilities** | | | |
| Interest Bearing Loans and Borrowings | 14 | 2,000,000,000 | 1,000,092,553 |
| Lease Liability - Non current | 4 | 28,544,690 | 37,028,198 |
| Deferred Tax Liabilities | 23.2 | 435,344,577 | 255,597,883 |
| Retirement Benefit Liability | 15 | 100,803,916 | 116,297,240 |
| | | 2,564,693,183 | 1,409,015,874 |
| **Current Liabilities** | | | |
| Trade and Other Payables | 16 | 2,517,033,606 | 1,243,199,620 |
| Lease Liability - Current | 4 | 34,417,580 | 6,148,801 |
| Interest Bearing Loans and Borrowings | 14 | 572,484,263 | 1,494,875,982 |
| Income Tax Liabilities | | - | 48,763,089 |
| Dividends Payable | 17 | 10,216,176 | 10,216,176 |
| | | 3,134,151,625 | 2,803,203,668 |
| **Total Equity and Liabilities** | | 10,656,743,391 | 8,654,887,235 |

These financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.

**Shaminda Fernando**
*General Manager - Finance*

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

**Murtaza Esufally**
*Director*

**Dinesh Athapaththu**
*Director*

The Accounting Policies and Notes on pages 17 to 42 form an integral part of these financial statements.
24th May 2022

# STATEMENTS OF PROFIT OR LOSS

| Year ended 31 March | Note | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| **Revenue** | 19 | 4,196,544,210 | 4,196,035,013 |
| Cost of Sales | | (3,212,688,091) | (2,903,181,834) |
| **Gross Profit** | | 983,856,119 | 1,292,853,179 |
| Other Operating Income and Gains | 20 | 6,174,438 | 3,637,099 |
| Selling and Distribution Costs | | (460,121,336) | (455,904,667) |
| Administrative Expenses | | (557,119,201) | (415,641,768) |
| **Operating Profit/(Loss)** | | (27,209,981) | 424,943,843 |
| Finance Cost | 21.1 | (353,700,729) | (65,459,953) |
| Finance Income | 21.2 | 6,971,986 | 7,114,009 |
| **Profit/(Loss) Before Tax** | 22 | (373,938,723) | 366,597,899 |
| Income Tax Expense | 23 | 55,414,894 | (82,042,417) |
| **Profit/(Loss) for the Year** | | (318,523,829) | 284,555,482 |
| Earnings\(Loss) Per Share - Basic | 24 | -42.18 | 37.69 |

The Accounting Policies and Notes on pages 17 to 42 form an integral part of these financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

| Year ended 31 March | Note | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| **Profit/(Loss) for the Year** | | (318,523,829) | 284,555,482 |
| **Other Comprehensive Income** | | | |
| **Other comprehensive income not to be reclassified to profit or loss in subsequent periods** | | | |
| Actuarial Gains / (Losses) on Defined Benefit Plans | 15 | 11,774,659 | (6,124,090) |
| Income Tax Effect | 23.2.1 | (2,590,425) | 1,347,300 |
| Revaluation of Land and Buildings | 13.1 | 1,057,141,648 | 228,570,024 |
| Income Tax Effect | 23.2.1 | (232,571,163) | 2,842,571 |
| **Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods** | | 824,570,485 | 231,412,595 |
| **Other Comprehensive Income/(Loss) for the Year, net of tax** | | 833,754,719 | 226,635,805 |
| **Total Comprehensive Income for the Year, net of tax** | | 515,230,890 | 511,191,287 |

The Accounting Policies and Notes on pages 17 to 42 form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

| Year ended 31 March 2022 | Notes | Stated Capital Rs. | Other Components of Equity<br>Revaluation Reserve Rs. | General Reserve Rs. | Retained Earnings Rs. | Total Equity Rs. |
|---|---|---|---|---|---|---|
| **As at 01 April 2020** | | 7,924,800 | 845,626,339 | 730,800,000 | 2,347,125,267 | 3,931,476,406 |
| Profit for the year | | - | - | - | 284,555,482 | 284,555,482 |
| Other Comprehensive Income | | - | 231,412,595 | - | (4,776,790) | 226,635,805 |
| Total Comprehensive Income | | - | 231,412,595 | - | 279,778,692 | 511,191,287 |
| **As at 31 March 2021** | | 7,924,800 | 1,077,038,934 | 730,800,000 | 2,626,903,959 | 4,442,667,693 |
| **As at 01 April 2021** | | 7,924,800 | 1,077,038,934 | 730,800,000 | 2,626,903,959 | 4,442,667,693 |
| Profit/(Loss) for the year | | - | - | - | (318,523,829) | (318,523,829) |
| Other Comprehensive Income | | - | 824,570,485 | - | 9,184,234 | 833,754,719 |
| Total Comprehensive Income | | - | 824,570,485 | - | (309,339,595) | 515,230,890 |
| Transfers during the year | | | | (730,800,000) | 730,800,000 | - |
| **As at 31 March 2022** | | 7,924,800 | 1,901,609,419 | - | 3,048,364,364 | 4,957,898,583 |

The Accounting Policies and Notes on pages 17 to 42 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

| Year ended 31 March | Note | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Profit/(Loss) before Income Tax Expense | | (373,938,723) | 366,597,899 |
| Adjustments for | | | |
| Depreciation | 3 | 148,236,787 | 76,728,261 |
| Depreciation of Right - of - use Assets | 4 | 27,745,592 | 6,432,862 |
| Amortization of intangible assets | 5 | 8,686,280 | 5,738,788 |
| Profit on Sale of Property, Plant and Equipment | 20 | (4,102,651) | (1,174,438) |
| Interest Income | 21.2 | (6,971,986) | (7,114,009) |
| Finance Costs | 21.1 | 353,700,729 | 65,459,953 |
| Provision for Defined Benefit Plans - Gratuity | 15 | 19,742,223 | 20,021,641 |
| Provision for impairment of debtors | | 114,732,400 | 53,418,718 |
| Operating Profit before Working Capital Changes | | 287,830,651 | 586,109,675 |
| (Increase) / Decrease in Inventories | | (367,462,072) | (55,663,451) |
| (Increase) / Decrease in Trade and Other Receivables | | 97,779,526 | (100,425,288) |
| (Increase) / Decrease in Advances and Prepayments | | (215,654,055) | 16,163,735 |
| Increase / (Decrease) in Trade and Other Payables | | 187,083,990 | 144,625,827 |
| Cash Generated from Operations | | (10,421,960) | 590,810,498 |
| Finance Costs Paid | 21.1 | (146,529,013) | (60,351,219) |
| Defined Benefit Plan Costs Paid | 15 | (23,460,887) | (12,254,635) |
| Tax Paid | | (51,400,145) | (70,166,800) |
| Net Cash Flows from Operating Activities | | (231,812,005) | 448,037,844 |
| **Cash Flows From / (Used in) Investing Activities** | | | |
| Acquisition of Property, Plant and Equipment | 3 | (743,166,783) | (972,303,113) |
| Acquisition of Intangible Assets | | - | (2,655,558) |
| Proceeds from Sale of Property, Plant and Equipment | | 23,839,824 | 5,317,499 |
| Advance Received for Sale of Land & Building | | 886,600,000 | - |
| Net investment in Diagnostic Instruments | | 21,990,613 | 28,740,725 |
| Payments towards Other Non Current Advances | | - | 80,500,254 |
| Interest Received | 21 | 6,971,986 | 7,114,009 |
| Net Cash Flows Used in Investing Activities | | 196,235,640 | (853,286,184) |
| **Cash Flows From / (Used in) Financing Activities** | | | |
| Proceeds From Interest Bearing Loans and Borrowings | 14 | 2,040,750,000 | 2,195,569,700 |
| Repayment of Interest Bearing Loans and Borrowings | 14 | (2,330,503,033) | (1,691,293,759) |
| Settlement of Lease Liabilities | | (31,889,675) | (8,999,718) |
| Net Cash Flows Used in Financing Activities | | (321,642,708) | 495,276,223 |
| **Net Increase in Cash and Cash equivalents** | | (357,219,073) | 90,027,883 |
| **Cash and Cash equivalents at the beginning of the year** | 18 | (3,149,909) | (93,177,792) |
| **Cash and Cash equivalents at the end of the year** | 18 | (360,368,982) | (3,149,909) |

The Accounting Policies and Notes on pages 17 to 42 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Morison Limited- (“Company”) is a Public Limited Liability Company, incorporated and domiciled in Sri Lanka. The registered office is located at “Hemas House”, No. 75, Braybrooke Place, Colombo 2 and the principal place of business of the Company is the same.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company - Manufacturing, Importing and distribution of pharmaceuticals, medical aid, diagnostics reagent and equipment, cosmetics and other consumer products.

### 1.3 Parent and Ultimate Parent Entity

The Company’s parent undertaking is Hemas Manufacturing (Private) Limited with the Company’s ultimate parent undertaking and controlling party being Hemas Holdings PLC, incorporated in Sri Lanka.

### 1.4 Date of Authorization for Issue

The financial statements of Morison Limited for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 24th May 2022.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 General Accounting Policies

#### 2.1.1 Statement of Compliance

The Financial Statements of Morison Limited comprise the Statement of Financial Position and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with the Accounting Policies and Notes to the Financial Statements.

These financial statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Companies Act No. 7 of 2007.

#### 2.1.2 Going Concern

The Board of Directors has made an assessment on the Company’s ability to continue as a going concern based on the most recent information available and is satisfied that it has the resources to continue in business for the foreseeable future. Considering a wide range of factors including history of stable operations, liquidity position, availability of external funding sources, defensive cashflows and the initiatives taken to strengthen risk monitoring, the Management is satisfied that the going concern basis is appropriate. Therefore, the Financial Statements of the Group continue to be prepared on a going concern basis.

#### 2.1.3 Basis of Preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention which are stated as fair value.

The financial statements are presented in Sri Lankan Rupees.

#### 2.1.4 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Previous year’s figures and phrases have been re-arranged whenever necessary to conform to current presentation.

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.2.1 Amalgamation and Consolidation

Morison Limited merged with its Subsidiary, M.S.J. Industries (Ceylon) (Private) Limited with effect from 02 July 2018.

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.

#### 2.2.2 Foreign Currency Translation

The Financial Statements are presented in Sri Lankan 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 reporting 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.

#### 2.2.3 Taxation

*a) Current Income Tax*

Current income tax assets and liabilities for the current period 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, at the reporting date in the countries where the Company operates and generates taxable income.

Current income taxes relating to items recognized directly equity is also recognized in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*b) Deferred Tax*

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

- Where the deferred tax liability arises from the initial recognition of goodwill or 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.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred 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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the statement of profit or loss.

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

*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 authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

- Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.2.4 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Company only reassesses whether a contract is, or contains, a lease subsequent to initial recognition if the terms and conditions of the contract are changed.

**Company as a lessee**

Right of use assets

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

Right of use assets are amortised on the straight line basis over 2 – 27 years of lease term.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Company's lease liabilities are included in Interest-bearing loans and borrowings

Short-term leases and leases of low-value assets

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

Company as a lessor

Diagnostics instruments are placed in third parties to purchase reagents necessary for such instrument with monthly minimum commitment value through finance lease arrangement. Finance lease assets are reported as receivables at an amount equal to the net investment in the lease. Lease income from finance leases is recognised over the term of the lease based on the effective interest rate method.

2.2.5 Borrowing Costs

Borrowing costs are recognized as an expense in the year in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using Company's weighted average cost of borrowing after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investments. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted.

## 2.3 ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Statement of Financial Position are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the reporting date.

Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

### 2.3.1 Property, Plant and Equipment

*(1) Valuation*

Property, Plant and Equipment is stated at cost except for land and building, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company derecognises the net book value of replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

Capital expenditure incurred in relation to fixed assets which are not completed as at the Reporting date are shown as capital work-in-progress and is stated at cost less Impairment. On completion, the related assets are transferred to property, plant and equipment. Depreciation on such assets commences when the assets are ready for their intended use.

When items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

The Company has adopted a policy of revaluing land and building by professional valuers at least every three years unless otherwise there are indications that the fair value of the land and building differs materially from its carrying values.

The valuation methodology adopted and the key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 3.

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.

*(2) Cost*

Cost of Property, Plant & Equipment is the cost of acquisition or construction together with any expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure.

*(3) Depreciation*

The provision for depreciation is calculated by using a straight line method on the cost or valuation of all Property, Plant & Equipment other than freehold land, in order to write off such amounts over the estimated useful lives.

The principal annual rates used are:

| | |
|---|---|
| Freehold Buildings | 35 Years |
| Plant and Machinery | 5-13.33 Years |
| Furniture and Fittings | 10 Years |
| Motor Vehicles | 5 Years |
| Office Equipment | 5 Years |
| Computer Hardware | 5 Years |
| Office Software | 5 Years |

Depreciation of an asset begins when it is available for use whereas depreciation of an asset is ceased at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

The appropriateness of useful lives of the assets and the residual value is assessed annually.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.3.2 Intangible Assets

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

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

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

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 recognized in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with infinite 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 infinite life is reviewed annually to determine whether infinite life assessment continues to be supportable.

If not, the change in the useful life assessment from infinite to finite is made on a prospective basis.

2.3.3 Non-current assets held for sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.3.4 Financial Assets and Liabilities

*2.3.4.1 Financial Assets*

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

*Financial assets at amortised cost (debt instruments)*

The Company measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, loans to an employees, loans to related parties and other investments included under other financial assets.

*De-recognition*

A financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

*Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*2.3.4.2 Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

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

- Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

*De-recognition*
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

*Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.3.5 Inventories
Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials: Purchase cost on weighted average cost of capital

Finished goods and work in progress: Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.6 Cash and cash equivalents
Cash and cash equivalents are 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 statement of cash flow, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities (including investment in money market funds) i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.7 Impairment of non-financial assets
The Company assesses at each reporting date whether there is any objective evidence that a non-financial asset or a group of non-financial assets is impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the group of non-financial 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 or 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 group of non-financial 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.

2.4 LIABILITIES AND PROVISIONS
Liabilities classified as current liabilities in the Statement of Financial Position are those obligations payable on demand or within one year from the reporting date. Items classified as non-current liabilities are those obligations which become payable beyond a period of one year from the reporting date. All known liabilities have been accounted for in preparing these Financial Statements. Provisions and liabilities are recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.4.1 Retirement Benefit Obligations
*a) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund*
Employees are eligible for Mercantile Service Provident Society Fund (MSPS) Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Company contributes 12 % and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

*Defined Benefit Plan – Gratuity*
A defined benefit plan is a post-employment benefit plan, other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The valuation is performed annually by the management by using independent actuary of each company, using the projected unit credit method in accordance with LKAS 19, "Employee Benefits".

The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in the Statement of Profit or Loss.

The key assumptions used in the computation are stated in the Note 15 to the Financial Statements.

This liability is not externally funded and the item is grouped under non-current liabilities in the Statement of Financial Position.

2.4.2 Capital Commitments and Contingencies

All material capital commitments and contingent liabilities which exist as at the reporting date are disclosed in the respective notes to the Financial Statements.

2.5 STATEMENT OF PROFIT OR LOSS

(a) Revenue

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

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In determining the transaction price for the revenue contracts, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration to the customer (if any)

Variable Consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some revenue contracts in the Consumer and Healthcare segments in the Company provide customers with a right to return, rebates, discounts and consideration payable to the customers. These give rise to variable consideration.

Turnover based tax

The Company pays turnover based taxes including value added tax in accordance with the respective statutes.

Accounting Judgement, Estimate and Assumption

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Principal versus agent considerations

In determining whether the Company is the principal or the agent pertaining to the certain revenue contracts the Company has evaluated who has control of the good before transferring it to the customer;

The following factors also have being considered;

- The primarily responsibility for fulfilling the promise to provide the specified good or the service.
- Inventory risk before or after the specified good has been transferred to the customer
- The discretion in establishing the price for the specified equipment.
- Based on the above factors if the Company concludes that it does have control of the good before transferring it to the customer, the Company acts as the principal in which case revenue will be recognized in gross and if the Company does not have the control of the good before transferring it to the customer, it will recognize revenue on the contract on net basis as an agent.

Determining method to estimate variable consideration and assessing the constraint

Certain revenue contracts especially in Consumer and Healthcare segments include a right of return, rebates and customer incentives that rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

Evaluation of point of transfer of control to the customer under the recognise revenue

The following factors were considered in determining the point of transfer of control to the customer.

- The entity has a present right to payment for the asset
- The customer has legal title to the asset
- The entity has transferred physical possession of the asset

- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset
- Whilst the above indicators assist in the determination of transfer of control, none of the indicators above are meant to individually determine whether control has been transferred. Further not all of them must be present. Hence the above evaluation requires significant judgement.

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

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

Interest Income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

Rental Income
Rental income is recognized on an accrual basis.

Gains and Losses
Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non current assets including investments are accounted for in the statement of profit or loss, after deducting from proceeds on disposal, the carrying amount of the assets and related selling expenses. On the disposal of revalued Property, Plant and Equipment, the amount remaining in the Revaluation Reserve, relating to that particular asset is transferred directly to Retained Earnings.

Gains and losses arising from activities incidental to the 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.

Other Income
Other income is recognized on an accrual basis.

2.5.1 Expenditure Recognition
The expenses are recognized on an accrual basis. All expenditure incurred in the ordinary course of business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the purpose of presentation of the statement of profit or loss, the Directors are of the opinion that "function of expenses" method presents fairly the elements of the Company's performance, and hence such presentation method is adopted.

### 2.6 RELATED PARTY DISCLOSURES
Disclosures are made in respect of related party transactions in accordance with LKAS 24.

### 2.7 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates/Judgements made by management in the application of Sri Lanka Accounting Standards that have a significant effect on the financial statements are mentioned below.

| | Policy | Note |
|---|---|---|
| Property, plant & equipment | 2.3.1 | 3 |
| Valuation and depreciation | 2.3.1 | 3 |
| Impairment of assets | 2.3.4/2.3.7 | - |
| Employee benefit liabilities | 2.4.1 | 15 |
| Financial Instruments | 2.3.4 | 11 |

### 2.8 CURRENT VERSUS NON-CURRENT CLASSIFICATION
The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period
- The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.9 FAIR VALUE MEASUREMENT

The Company measures financial instruments such as investment in equity instruments, and non-financial assets such as Land and buildings, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the following notes:

| | |
|---|---|
| Disclosures for valuation methods, significant estimates and assumptions | Note 3 |
| Quantitative disclosures of fair value measurement hierarchy | Note 3 |
| Property, plant and equipment under revaluation model | Note 3 |

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as Land. Involvement of external valuers is decided upon annually by the Management after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Company's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management presents the valuation results to the Audit Committee includes a discussion of the major assumptions used in the valuations.

The Management, in conjunction with the Company's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

# Notes to the Financial Statements

## 2.10 NEW STANDARDS AND INTERPRETATIONS BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

### Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

### Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

### Amendments to SLFRS 3: Definition of a Business – referred to the Conceptual Framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

### SLFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

## 3. PROPERTY, PLANT AND EQUIPMENT

### 3.1

| Year ended 31 March 2022 | Freehold Land Rs. | Freehold Buildings Rs. | Buildings on Leasehold Land Rs. | Plant and Machinery Rs. | Motor Vehicle Rs. | Office Equipments Rs. | Furniture and Fittings Rs. | Capital Work in Progress Rs. | Computer Hardware Rs. | Computer Software Rs. | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3.1.1 Cost or Valuation | | | | | | | | | | | |
| **01 April 2021** | 1,118,150,000 | 444,697,304 | - | 473,265,147 | 76,964,459 | 27,535,451 | 41,612,500 | 3,522,047,310 | 40,246,151 | 13,553,690 | 5,758,072,011 |
| Additions | - | 2,463,052 | - | 117,461,720 | - | 2,754,763 | 19,992,390 | 598,182,017 | 2,312,843 | - | 743,166,785 |
| Transfers | - | - | 2,011,491,861 | 1,532,456,308 | - | 136,018,462 | 50,414,776 | - | 23,461,976 | 37,595,196 | 3,791,438,579 |
| Disposals | - | - | - | (5,250,720) | (23,742,943) | (10,418,595) | (12,226,530) | (3,791,438,579) | (166,667) | - | (3,843,244,034) |
| Increase due to Revaluation | 38,475,000 | 29,205,474 | 989,461,174 | - | - | - | - | - | - | - | 1,057,141,648 |
| Transfers due to Revaluation | - | (6,265,830) | (20,953,035) | - | - | - | - | - | - | - | (27,218,865) |
| Assets Held for Sale | (730,000,000) | (252,500,000) | - | - | - | - | - | - | - | - | (982,500,000) |
| **As at 31 Mar 2022** | 426,625,000 | 217,600,000 | 2,980,000,000 | 2,117,932,455 | 53,221,516 | 155,890,081 | 99,793,136 | 328,790,748 | 65,854,303 | 51,148,886 | 6,496,856,125 |
| 3.1.2 Accumulated Depreciation | | | | | | | | | | | |
| **01 April 2021** | - | - | - | 302,051,214 | 41,853,835 | 21,115,812 | 20,554,500 | - | 31,038,854 | 13,083,806 | 429,698,021 |
| Charge for the year | - | 8,369,997 | 20,953,035 | 84,812,761 | 10,397,632 | 6,338,865 | 8,182,256 | - | 5,892,687 | 3,289,554 | 148,236,787 |
| Transfers due to Revaluation | - | (6,265,830) | (20,953,035) | - | - | - | - | - | - | - | (27,218,865) |
| Assets Held for Sale | - | (2,104,167) | - | - | - | - | - | - | - | - | (2,104,167) |
| Disposals | - | - | - | (5,071,205) | (9,770,924) | (9,507,286) | (7,652,196) | - | (66,672) | - | (32,068,283) |
| **As at 31 Mar 2022** | - | - | - | 381,792,770 | 42,480,543 | 17,947,391 | 21,084,560 | - | 36,864,869 | 16,373,360 | 516,543,493 |
| 3.1.3 Carrying Value | | | | | | | | | | | |
| As at 31 Mar 2022 | 426,625,000 | 217,600,000 | 2,980,000,000 | 1,736,139,685 | 10,740,973 | 137,942,690 | 78,708,576 | 328,790,748 | 28,989,434 | 34,775,526 | 5,980,312,632 |
| As at 31 March 2021 | 1,118,150,000 | 444,697,304 | - | 171,213,933 | 35,110,624 | 6,419,639 | 21,058,000 | 3,522,047,310 | 9,207,297 | 469,885 | 5,328,373,991 |

3.1.4 During the financial year, the Company acquired Property, Plant and Equipment to an aggregate value of Rs.743,166,785/- (2021 - Rs. 972,303,113/-) Cash Payments amounting to Rs. 743,166,785/- (2021 - Rs. 917,870,032/- /-) were made during the year for the purchase of Property, Plant and Equipment.

3.1.4.1 Capital work in progress includes Rs 205 Mn relating to expenditure on the construction of New Pharmaceutical Manufacturing & Research Facility in the course of construction. Construction of the plant is financed through Bank Loans and borrowing cost amounting to Rs.52.3 Mn was capitalized during the year ended 31 March 2022 on an actual basis. During the financial year, the Company Transferred Property, Plant and Equipment to an aggregate value Rs. 3,791,438,579 from Capital work in progress.

## Notes to the Financial Statements

3.1.5 The land and buildings belonging to Morison Limited, situated at No. 126 and 126/2, Aluthmawatha Road, Colombo 15 and Building on leasehold land at Nanotechnology Industrial Park,Pitipana North, Homagama were revalued during the financial year ended 31st March 2022 by M/S Perera Sivaskantha & Company, an independent Chatered valuer. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 March 2022. The surplus arising from the revaluation was transferred to the revaluation reserve.

| Location | Extent | Method of Valuation | Significant unobservable inputs / Sensitivity | | Range | Value | Level of Fair Value Hierarchy | Valuation Date |
|---|---|---|---|---|---|---|---|---|
| Land at Aluthmawatha | 27.78 P | Investment Method | Rate of Return | 7%<br>+ 0.5% 236Mn | Rs. 5,175,000 | 140,625,000 | Level 3 | 31.03.2022 |
| Building at Aluthmawatha | 21,930 Sq ft | | | - 0.5% 272Mn | Rs. 85 - Rs 175 | 112,600,000 | | |
| Land at Aluthmawatha | 1R -19.15P | Investment Method | Rate of Return | 6%<br>+0.5% 363Mn | Rs.100-Rs.225 | 286,000,000 | Level 3 | 31.03.2022 |
| Building at Aluthmawatha | 21,901 Sq ft | | | -0.5% 423Mn | Rs. 5,000,000 | 105,000,000 | | |
| Building on Leasehold land at Pitipana, Homagama | 113,310 Sq ft | Investment Method | Rate of Return | 8.5%<br>+0.5% 2,827Mn<br>-0.5% 3,146Mn | Rs. 7,000 - Rs. 32,500 | 2,980,000,000 | Level 3 | 31.03.2022 |

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 Asset | Cost Rs. | Cumulative Depreciation if assets were carried at cost Rs. | Net Carrying Amount 2022 Rs. | Net Carrying Amount 2021 Rs. |
|---|---|---|---|---|
| Freehold Land | 248,246,193 | - | 248,246,193 | 248,246,193 |
| Freehold Buildings | 2,333,024,824 | (73,230,620) | 2,259,794,204 | 275,978,987 |

### 4. RIGHT OF USE ASSETS

#### 4.1 Amounts recognised in the statement of financial position and income statement

Set out below, are the carrying amounts of the Company's right of use assets and lease liabilities (Included under Interest bearing Borrowings) and the movements for the period ended 31 March 2022.

| Right of Use Assets | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Cost** | | |
| At the beginning of the year | 53,152,933 | 47,216,597 |
| Additions | 44,653,223 | 5,936,336 |
| At the end of the year | 97,806,156 | 53,152,933 |
| **Accumulated amortisation and impairment** | | |
| At the beginning of the year | 12,948,883 | 6,516,021 |
| Amortisation | 27,745,592 | 6,432,862 |
| At the end of the year | 40,694,475 | 12,948,883 |
| At the end of the year | 57,111,681 | 40,204,050 |

| Right of Use Assets | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Lease Liabilities** | | |
| At the beginning of the year | 43,177,000 | 41,131,647 |
| Additions | 44,653,222 | 5,936,336 |
| Interest expense | 7,021,723 | 5,108,734 |
| Payments | (31,889,675) | (8,999,718) |
| **Net Carrying Value** | 62,962,270 | 43,177,000 |
| Current | 34,417,580 | 6,148,801 |
| Non-current | 28,544,690 | 37,028,198 |
| **Total** | 62,962,270 | 43,176,999 |
| **The following are the amounts recognised in profit or loss:** | | |
| Depreciation expense of right-of-use assets | 27,745,592 | 6,432,862 |
| Interest expense on lease liabilities | 7,021,723 | 5,108,734 |
| **Total amount recognised in profit or loss** | 34,767,315 | 11,541,596 |

## 5. INTANGIBLE ASSETS

| Computer Software | 2022 Rs. | 2021 Rs. |
|---|---|---|
| As at 1 April | 20,320,052 | 23,403,283 |
| Addition made during the year | - | 2,655,558 |
| Amortization | (8,686,280) | (5,738,788) |
| As at 31 March | 11,633,772 | 20,320,053 |

## 6. INVESTMENTS IN SUBSIDIARIES

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Holding % | Rs. | Holding % | Rs. |
| **6.1 Non-Quoted** | | | | |
| Compak Morison (Lanka) Limited | 54 | 1 | 54 | 1 |
| Less - Provision for impairment | - | (1) | - | (1) |
| | | - | | - |

This Company has been excluded from consolidation due to the reasons described in Note 2.2.1 under Accounting Policies.

## 7. INVESTMENTS IN ASSOCIATES

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Holding % | Rs. | Holding % | Rs. |
| **7.1 Non-Quoted** | | | | |
| Canned & Health Food Ltd. (Note 7.1.1) | 47 | 1 | 47 | 1 |
| Less - Provision for impairment | | (1) | | (1) |
| **Total Carrying Value of Investments in Associates** | | - | | - |

## Notes to the Financial Statements

### 8. LEASE RECEIVABLE

**8.1** Diagnostics instruments are leased to third parties through finance lease arrangements. Such assets are reported as receivables at an amount equal to the net investment in the lease. Lease income from finance leases is recognised over the term of the lease based on the effective interest rate method.

| | Gross Investment in lease | | Present value of minimum lease receipts | |
|---|---|---|---|---|
| | **2022 Rs.** | **2021 Rs.** | **2022 Rs.** | **2021 Rs.** |
| Between one and five years | 129,959,831 | 148,285,772 | 126,971,419 | 142,417,731 |
| Within one year | 66,400,465 | 74,571,199 | 61,364,426 | 66,897,809 |
| | 196,360,296 | 222,856,971 | 188,335,845 | 209,315,540 |

### 9. ASSETS HELD FOR SALE

| | **2022 Rs.** | **2021 Rs.** |
|---|---|---|
| Assets | | |
| Freehold Land | 730,000,000 | - |
| Freehold Building | 252,500,000 | - |
| Depreciation (Charge) for the year | (2,104,167) | - |
| | 980,395,833 | - |

On 29th June 2021, the Company entered in to an agreement with Morlan (Private) Limited to sell its property at Pethiyagoda, Kelaniya for a price of Rs. 985 Mn. On 30th June 2021, Rs. 886.6 Mn advance has been received. The sale of the property is expected to be completed within a year from the reporting date as accordingly, the property was classified as an asset held for sale as at 31st March 2022.

### 10. INVENTORIES

| | **2022 Rs.** | **2021 Rs.** |
|---|---|---|
| Raw Materials and Packing Material | 399,693,957 | 264,150,645 |
| Work in Progress | 26,043,095 | 44,249,422 |
| Finished Goods | 1,104,707,246 | 827,444,282 |
| Goods in Transit | 114,655,336 | 131,613,014 |
| | 1,645,099,634 | 1,267,457,363 |
| (-) Provision for Obsolete Stocks (Note 9.1) | (51,812,092) | (41,631,893) |
| | 1,593,287,542 | 1,225,825,470 |

#### 10.1 Provision for Obsolete Stocks

| | **2022 Rs.** | **2021 Rs.** |
|---|---|---|
| Balance as at 1st April | 41,631,893 | 67,271,075 |
| Provision made/ (Reversals) during the year | 10,180,199 | (25,639,182) |
| Balance as at 31st March | 51,812,092 | 41,631,893 |

## 11. TRADE AND OTHER RECEIVABLES

| | Company 2022 Rs. | Company 2021 Rs. |
|---|---|---|
| Trade Reveivables- Others | 1,157,459,947 | 1,342,781,248 |
| Trade Receivables- Related Parties (Note 11.1) | 168,403,220 | 172,220,674 |
| Less: Provision for Impairment (Note 11.3) | (114,732,400) | (53,418,718) |
| | 1,211,130,767 | 1,461,583,204 |
| Other Receivables - Others | 154,604,171 | 123,102,738 |
| Other Receivables - Related Parties (Note 11.2) | 8,386,409 | 1,947,331 |
| | 1,374,121,347 | 1,586,633,273 |

### 11.1 Trade Debtors - Related Parties

| | Relationship | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| Hemas Capital Hospital (Private) Limited | Group Company | 1,219,327 | 7,072,141 |
| Hemas Hospitals (Private) Limited | Group Company | 3,332,073 | 6,746,699 |
| Hemas Pharmaceuticals (Pvt) Ltd | Group Company | 69,897,871 | 57,821,050 |
| Hemas Manufacturing (Pvt) Ltd | Parent Company | 74,908,780 | 63,327,201 |
| Lifeconnect Solutions (Pvt) Ltd. | Group Company | 12,731,645 | - |
| Healthnet International (Pvt) Ltd | Group Company | 6,313,525 | 37,253,583 |
| | | 168,403,220 | 172,220,674 |

### 11.2 Other Debtors - Related Parties

| | Relationship | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| Hemas Pharmaceuticals (Pvt) Ltd | Group Company | - | 352,500 |
| Hemas C O E (Pvt) Ltd. | Group Company | 674,556 | - |
| Hemas Holdings PLC | Group Company | 1,137,360 | - |
| Atlas Axillia Co.(pvt) ltd | Group Company | 359,727 | - |
| Morlan (Pvt) Ltd. | Group Company | 5,855,039 | - |
| Hemas Manufacturing (Pvt) Ltd | Parent Company | 359,727 | 1,594,831 |
| | | 8,386,409 | 1,947,331 |

### 11.3 Reconciliation of Provision for Impairment of Trade Receivables

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Balance as at 1st April | 53,418,718 | 41,324,104 |
| Provision made during the year | 61,313,682 | 12,094,614 |
| As at 31st March | 114,732,400 | 53,418,718 |

## Notes to the Financial Statements

**11.4 As at 31 March, the ageing analysis of trade receivables, is as follows:**

| | Total Rs. | Neither past due nor impaired Rs. | Past due but not impaired < 30 days Rs. | 30-60 days Rs. | 61-90 days Rs. | 91-120 days Rs. | >120 days Rs. |
|---|---|---|---|---|---|---|---|
| **2022** | 1,211,130,768 | 674,739,960 | 141,272,358 | 74,493,081 | 97,621,768 | 98,644,464 | 124,359,137 |
| **2021** | 1,461,583,204 | 813,736,723 | 323,498,873 | 117,072,840 | 55,824,391 | 47,189,169 | 104,261,207 |

### 12. STATED CAPITAL

| | 2022 Number | 2022 Rs. | 2021 Number | 2021 Rs. |
|---|---|---|---|---|
| Fully Paid Ordinary Shares | 5,808,290 | 6,182,310 | 5,808,290 | 6,182,310 |
| Fully Paid Non-Voting Ordinary Shares | 1,742,490 | 1,742,490 | 1,742,490 | 1,742,490 |
| | 7,550,780 | 7,924,800 | 7,550,780 | 7,924,800 |

**12.1 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.

### 13. OTHER COMPONENTS OF EQUITY

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Summary** | | |
| Revaluation Reserve (Note 13.1) | 1,901,609,419 | 1,077,038,934 |
| General Reserve (Note 13.2) | - | 730,800,000 |
| | 1,901,609,419 | 1,807,838,934 |

**13.1 Revaluation Reserve**

| **On: Property, Plant and Equipment** | 2022 Rs. | 2021 Rs. |
|---|---|---|
| As at 1 April | 1,077,038,934 | 845,626,339 |
| Revaluation surplus during the year | 1,057,141,648 | 228,570,024 |
| Deferred Tax effects on revaluation during the year | (232,571,163) | 2,842,571 |
| As at 31 March | 1,901,609,419 | 1,077,038,934 |

**13.2 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;

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| As at 1 April | 730,800,000 | 730,800,000 |
| Transfers during the year | (730,800,000) | - |
| As at 31 March | - | 730,800,000 |

## 14. INTEREST BEARING LOANS AND BORROWINGS

### 14.1

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Current Interest Bearing Loans and Borrowings** | | |
| Term Loans (Note 14.1.1) | 27,777,778 | 1,317,438,258 |
| Bank Overdrafts (Note 18.2) | 544,706,486 | 177,437,724 |
| | 572,484,263 | 1,494,875,982 |
| **Non-current Interest Bearing Loans and Borrowings** | | |
| Bank Loans (Note 14.1.1) | 2,000,000,000 | 1,000,092,553 |
| | 2,000,000,000 | 1,000,092,553 |

### 14.1.1 Term Loans

| | 01.04.2021 Rs. | Obtained Rs. | Repayment Rs. | 31.10.2022 Rs. | Current Rs. | Non-current Rs. |
|---|---|---|---|---|---|---|
| Commercial Bank of Ceylon PLC | - | 2,000,000,000 | - | 2,000,000,000 | - | 2,000,000,000 |
| HSBC | 61,111,111 | - | (33,333,333) | 27,777,778 | 27,777,778 | - |
| Standard Chartered Bank - Term Loan | 1,296,419,700 | 40,750,000 | (1,337,169,700) | - | - | |
| Standard Chartered Bank | 600,000,000 | - | (600,000,000) | - | - | - |
| Hemas Holding PLC | 200,000,000 | - | (200,000,000) | - | - | - |
| Hemtours (Pvt)Ltd | 160,000,000 | - | (160,000,000) | - | - | - |
| | 2,317,530,811 | 2,040,750,000 | (2,330,503,033) | 2,027,777,778 | 27,777,778 | 2,000,000,000 |

### 14.2 Terms and conditions of Bank Loan

| Details | Nature of the Facility | Interst Rate | Balance 2022 (Rs. '000) | Repayment Term | Security |
|---|---|---|---|---|---|
| Commercial Bank of Ceylon PLC | Term Loan Facility of LKR 2 Bn | First 2 Years 7.25% p.a. Next 4 Years 7.50% p.a. (Fixed) | 2,000,000 | 1st & 2nd year grace period, 3rd year 4 Quarters 50Mn each , 4th & 5th year 8 Quarters 125Mn each,6th year 4 Quarters Rs 200Mn each. | Not applicable |
| HSBC | Term Loan Facility of LKR 100 Mn | 3 Months Cost of Funds + 2.75% P.a. | 27,778 | Repayable in 36 monthly installments starting from February 2020. | Not applicable |

## 15. RETIREMENT BENEFIT OBLIGATION

| Gratuity | 2022 Rs. | 2021 Rs. |
|---|---|---|
| As at 01 April | 116,297,240 | 102,406,144 |
| Current Service Cost | 11,684,172 | 9,781,027 |
| Past Service Cost | (1,245,728) | - |
| Interest Cost on Benefit Obligation | 9,303,779 | 10,240,614 |
| Actuarial Loss/(Gain) for the year | (11,774,659) | 6,124,090 |
| Payments During the Year | (21,836,786) | (9,152,775) |
| Liability Transferred Out | (1,624,101) | (3,101,860) |
| As at 31 March | 100,803,916 | 116,297,240 |

## Notes to the Financial Statements

| 15.1 | | Amounts charged to profit or loss | | | | Remeasurement gains/(losses) in other comprehensive income | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01 April Rs. | Current Service Cost Rs. | Past Service Cost Rs. | Net interest Rs. | Sub-total included in profit or loss Rs. | Benefits paid Rs. | Actuarial changes arising from changes in assumptions Rs. | Experience adjustments Rs. | Sub total included in OCI Rs. | As at 31 March Rs. |
| 2022 | 116,297,240 | 11,684,172 | (1,245,728) | 9,303,779 | 19,742,223 | (21,836,786) | (19,006,467) | 7,231,808 | (11,774,659) | 102,428,017 |
| Transfer due to Liability Transferred | | - | - | - | - | - | - | - | - | (1,624,101) |
| | 116,297,240 | 11,684,172 | (1,245,728) | 9,303,779 | 19,742,223 | (21,836,786) | (19,006,467) | 7,231,808 | (11,774,659) | 100,803,916 |
| 2021 | 99,304,284 | 9,781,028 | - | 10,240,614 | 20,021,642 | (9,152,775) | 9,401,723 | (3,277,633) | 6,124,090 | 116,297,240 |

**15.2** Messrs. K.A. Pandith Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2022. Appropriate compatible assumptions were used in determining the cost of retirement benefits

The principal assumptions used in determining defined benefit obligation are shown below:

| | 2022 | 2021 |
|---|---|---|
| Discount Rate | 12% | 8% |
| Salary Increment | 8.5% | 8.5% |
| Retirement Age | 55- 60 years | 55- 60 years |

**15.3 Sensitivity of assumptions used**

| | Discount Rate Rs. | Salary Increment Rs. |
|---|---|---|
| **Effect on the defined benefit obligation liability** | | |
| Increase by one percent | (3,305,638) | 3,687,264 |
| Decrease by one percent | 3,601,279 | (3,438,121) |

**15.4** Due to the prevailing economic conditions, the management has considered different scenarios for the possible changes in the assumptions used in valuing the retirement benefit obligation and concluded that the impact to the retirement benefit obligation from those possible changes are not material.

**15.5 Maturity Analysis of the Benefits Payments**

| | 2022 | 2021 |
|---|---|---|
| 1st Following Year | 22,596,602 | 38,807,324 |
| 2nd Following Year | 17,787,905 | 8,427,628 |
| 3rd Following Year | 15,269,735 | 10,026,787 |
| 4th Following Year | 14,112,282 | 9,931,187 |
| 5th Following Year | 14,246,462 | 9,925,339 |
| Sum of Years 6 to 10 | 44,654,246 | 40,370,133 |
| Sum of Years 11 and Above | 54,250,276 | 74,092,080 |

## 16. TRADE AND OTHER PAYABLES

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Trade Payables - Local others | 18,880,434 | 56,090,382 |
| - Related Parties (Note 16.1) | 3,647,641 | 2,357,821 |
| Foreign Bills Payable | 1,256,137,957 | 781,594,224 |
| Non Trade Payables - Related Parties (Note 16.2) | 903,601,419 | 31,008,512 |
| Non Trade Creditors including Accrued Expenses | 334,766,155 | 372,148,681 |
| | 2,517,033,606 | 1,243,199,620 |

### 16.1 Trade Payables - Related Parties

| | Relationship | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| Hemas Pharmaceutical (Private) Limited | Group Company | 3,253,671 | 2,357,821 |
| Hemas Capital Hospital (Pvt) Ltd | Group Company | 71,640 | - |
| Hemas Hospitals (Pvt) Ltd | Group Company | 322,330 | - |
| | | 3,647,641 | 2,357,821 |

### 16.2 Other Payables - Related Parties

| | Relationship | 2022 Rs. | 2021 Rs. |
|---|---|---|---|
| Hemas Holdings PLC | Ultimate Parent | 6,881,583 | 5,787,394 |
| Hemas Hospitals (Private) Limited | Group Company | - | 3,334,362 |
| Hemas Corporate Services (Private) Limited | Group Company | 3,100,042 | 1,258,233 |
| Hemas Manufacturing (Pvt) Ltd | Parent Company | 15,001 | 1,026,467 |
| Hemas Capital Hospital (Pvt) Ltd | Group Company | - | 631,640 |
| Hemas C O E (Pvt) Ltd. | Group Company | 91,022 | 188,869 |
| Atlas Axillia Co (Private) Limited | Group Company | 719,901 | 150,710 |
| Hemtours (Pvt) Ltd | Group Company | - | 1,383,671 |
| Hemas Pharmaceutical (Private) Limited | Group Company | 1,630,000 | - |
| Hemas Development (Pvt) Ltd | Group Company | 4,563,869 | - |
| Morlan (Pvt) Ltd. | Group Company | 886,600,000 | - |
| Spectra Logistics (Private) Ltd | Group Company | - | 17,247,166 |
| | | 903,601,419 | 31,008,512 |

## 17. DIVIDENDS PAYABLE

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Unclaimed Dividends | 10,216,176 | 10,216,176 |
| | 10,216,176 | 10,216,176 |

## 18. CASH AND CASH EQUIVALENTS

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **18.1 Favourable Cash and Cash Equivalents** | | |
| Cash at Banks and in Hand | 62,715,038 | 54,164,526 |
| Investment in Short Term Deposits | 121,622,465 | 120,123,288 |
| | 184,337,503 | 174,287,814 |
| **18.2 Unfavourable Cash and Cash Equivalents** | | |
| Bank Overdrafts | (544,706,486) | (177,437,724) |
| Total Cash and Cash Equivalents | (360,368,982) | (3,149,909) |

## 19. REVENUE

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Goods transfers at a point in time | 4,196,544,210 | 4,196,035,013 |
| | 4,196,544,210 | 4,196,035,013 |

## 20. OTHER OPERATING INCOME AND GAINS

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Profit on Disposal of Property, Plant and Equipment | 4,102,651 | 1,174,438 |
| Sundry Income | 2,071,787 | 2,462,662 |
| | 6,174,438 | 3,637,100 |

## 21. FINANCE COST AND INCOME

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **21.1 Finance Cost** | | |
| Interest Expense on Overdrafts | 13,348,316 | 12,323,158 |
| Interest Expense on Interest Bearing Loans and Borrowings | 84,259,690 | 48,028,061 |
| Finance Charges on Lease Liabilities | 7,021,723 | 5,108,734 |
| Exchange (Gain)/Loss - Realized | 48,921,007 | - |
| Exchange (Gain)/Loss - Unrealized | 200,149,994 | - |
| | 353,700,729 | 65,459,953 |

### 21.2 Finance Income

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| Income from Investments | | |
| - Return on investment in Fixed Deposits | 6,971,986 | 7,114,009 |
| | 6,971,986 | 7,114,009 |

## 22. PROFIT BEFORE TAX

| Stated after Charging /Crediting | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Included in Cost of Sales** | | |
| Employees Benefits including the following | | |
| - Defined Contribution Plan Costs - EPF and ETF | 19,503,951 | 17,088,025 |
| - Salary Related Expenses | 163,761,738 | 132,886,819 |
| Depreciation | 83,792,290 | 25,917,848 |
| **Included in Administrative Expenses** | | |
| Employees Benefits including the following | | |
| - Defined Benefit Plan Costs -Gratuity | 19,742,222 | 20,021,641 |
| - Defined Contribution Plan Costs - EPF and ETF | 15,381,492 | 12,772,243 |
| - Salary Related Expenses | 151,211,624 | 145,098,569 |
| Depreciation | 86,235,834 | 53,383,383 |
| **Auditors' Remuneration** | | |
| - Audit Fees | 2,478,060 | 2,417,885 |
| - Non-Audit Fees | 942,519 | 1,138,967 |
| **Included in Selling and Distribution Costs** | | |
| Transport Costs | 11,966,293 | 14,498,895 |
| Advertising and Sales of Promotion | 180,134,098 | 232,888,474 |

## 23. INCOME TAX EXPENSE

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

| Income Statement | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Current Income Tax** | | |
| Current Income Tax charge (Note 23.1) | - | 86,437,300 |
| Under/(Over) Provision of current taxes in respect of prior years | | (148,450) |
| | - | 86,288,850 |
| **Deferred Income Tax** | | |
| Deferred Taxation Charge/(Reversal) (Note 23.2) | (55,414,894) | (4,246,433) |
| | (55,414,894) | 82,042,417 |

## Notes to the Financial Statements

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

| | 2022<br>Rs. | 2021<br>Rs. |
|---|---|---|
| Accounting Profit/(Loss) before Tax | (373,938,723) | 366,597,899 |
| Non Deductible Expenses | 583,797,176 | 251,691,257 |
| Deductible Expenses | (589,767,614) | (229,046,526) |
| Interest Income | 6,971,986 | 7,114,009 |
| Taxable Profit | (372,937,175) | 396,356,639 |
| | | |
| Concession Rate | 18% | 18% |
| Statutory Tax Rate | 24% | 24% |
| | | |
| Income Tax on profits at Rate of 18% | - | 26,560,536 |
| Income Tax on profits at Rate of 24% | - | 59,876,764 |
| | - | 86,437,300 |

**23.2 Deferred Income Tax**

| 23.2.1 | Statement of Financial Position 2022<br>Rs. | Statement of Financial Position 2021<br>Rs. | Statement of Profit or Loss 2022<br>Rs. | Statement of Profit or Loss 2021<br>Rs. |
|---|---|---|---|---|
| **Deferred Tax Liability** | | | | |
| Capital Allowances for Tax Purposes | 61,455,971 | 36,095,293 | 25,360,678 | (8,682,060) |
| Revaluation of Lands and Buildings | 477,659,146 | 245,087,983 | - | - |
| | 539,115,117 | 281,183,276 | 25,360,678 | (8,682,060) |
| | | | | |
| **Deferred Tax Assets** | | | | |
| Defined Benefit Plans | 22,176,862 | 25,585,393 | 818,107 | 4,435,627 |
| Tax Losses | 81,593,678 | - | (81,593,678) | - |
| | 103,770,540 | 25,585,393 | | |
| Deferred Income Tax Income/(Expense) | | | 55,414,894 | (4,246,433) |

| | Other Comprehensive Income 2022<br>Rs. | Other Comprehensive Income 2021<br>Rs. |
|---|---|---|
| Defined Benefit Plans | 2,590,425 | (1,347,300) |
| Revaluation of Lands and Buildings | 232,571,163 | (2,842,571) |
| | 235,161,588 | (4,189,871) |
| Net Deferred Tax Liability | 435,344,577 | 255,597,883 |

### 24. EARNINGS/(LOSS) PER SHARE

**24.1** Basic Earnings/(Loss) Per Share is calculated by dividing the profit/(Loss) for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

**24.2** The following reflects the income and share data used in the basic Earnings/(Loss) Per Share computation.

| | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Amount Used as the Numerator:** | | |
| Profit attributable to Equity Holders of the Parent | - | 284,555,482 |

| | 2022 Number | 2021 Number |
|---|---|---|
| **Number of Ordinary Shares Used as Denominator:** | | |
| Weighted Average Number of Ordinary Shares in issue applicable to Basic Earnings Per Share | 7,550,780 | 7,550,780 |

## 25. COMMITMENTS AND CONTINGENT LIABILITIES

### 25.1 Contingent Liabilities

25.1.1 The Department of Inland Revenue has issued VAT assessments for the years of assessment 2014 and 2015 disputing the application of exemption for sale of pharmaceutical product under the provision of section 3 (1) of the inland revenue act no 14 of 2002 (As amended)

25.1.2 The Commissioner General of Inland Revenue provided a determination confirming such assessment and the Company filed cases against such determinations at the Tax Appeal Commission which are ongoing. Appeal lodged for the year of assessments 2014 and 2015 is due for hearing at the Tax Appeals Commission. Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions, and no provisions has been made in the financial statements for the year ended 31 March 2022 in this regard.

The Company has given a bank guarantee of Rs. 30.09 Mn to Tax Appeals Commission with respect to the above tax appeal.

## 26. ASSETS PLEDGED

As at the reporting date there have been no assets pledged, as securities for liabilities.

## 27. EVENTS OCCURRING AFTER THE REPORTING DATE

The Government of Sri Lanka in its Budget for 2022 proposed a one-time tax, referred to as a surcharge tax, at the rate of 25% to be imposed on each company of a group of companies, of which the aggregate of the taxable income of all subsidiaries and the holding company in that group of companies that have earned a taxable income in excess of LK Rs. 2,000 million for the year of assessment 2020/2021. The tax is imposed by the Surcharge Tax Act No. 14 of 2022 which was passed by the Parliament of Sri Lanka on 7th April 2022. As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31 March 2022 do not reflect the tax liability that would arise in consequence, the amount of which is best estimated at LKR. 99.7 Mn.

## 28. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

### 28.1 Transactions with the related entities

| | Hemas Holdings PLC Ultimate Parent | | Other Related Parties | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Nature of Transaction | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| **As at 1 April** | (205,787,393) | (9,315,566) | 3,836,232 | 4,074,973 | (201,951,161) | (5,240,593) |
| Sale of Goods and Services Provided | | | 809,102,228 | 390,533,105 | 809,102,228 | 390,533,105 |
| Purchase of Goods and Services Obtained | | | (36,252,479) | (78,788,438) | (36,252,479) | (78,788,438) |
| Reimbursement of amounts paid on behalf of group/(On behalf of Company) | (17,403,922) | (38,245,727) | (11,263,860) | 14,364,588 | (28,667,782) | (23,881,139) |
| Settlement of Liabilities | 19,982,925 | 51,181,872 | (750,037,878) | (181,474,193) | (730,054,953) | (130,292,321) |
| Advance Received for Land & building | - | - | (896,663,539) | 4,200,443 | (896,663,539) | 4,200,443 |
| (Borrowings)/Settlements | 200,000,000 | (200,000,000) | 160,000,000 | (160,000,000) | 360,000,000 | (360,000,000) |
| Gratuity & Other receivable Transfer | 131,839 | - | (1,301,773) | - | (1,169,934) | - |
| Finance cost | (2,667,671) | (9,407,972) | (2,134,137) | (7,246,903) | (4,801,808) | (16,654,876) |
| As at 31 March | (5,744,222) | (205,787,393) | (724,715,207) | (14,336,425) | (730,459,429) | (220,123,818) |

### 28.2 Transactions with Key Management Personnel of the Company

The key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly including directors (whether executive or otherwise) of the Company. There have been no transactions with key management during the year except below.

| Key Management Personnel Compensation | 2022 Rs. | 2021 Rs. |
|---|---|---|
| **Company** | | |
| Short-term employee benefits | 29,537,694 | 12,424,967 |
| Retirement Benefits | 2,430,000 | 1,013,020 |
| | 31,967,694 | 13,437,987 |

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has loans and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. The senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Company. BOD provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. It is the Company's policy that all activities for risk management purposes are required to be approved by Board of Directors of Morison Limited.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, and deposits.

**Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk of changes in market interest rates relates primarily to the Company's long-term debt obligations. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The company has minimized its exposure to the risk of changes in market interest by entering in to a fixed rate borrowing agreement with the bank for its long term loan.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company's policy is to maintain an appropriate balance between fixed and variable rate borrowings.

**Foreign currency risk**
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate with the changes in foreign exchange rates in current volatile economic environment. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Import of Raw Materials, Trading goods and packing materials. Hemas Group treasury continuously monitors the market condition of foreign exchange and provides market updates to the Senior Management, with the use of external consultants' advice when required. Based on the suggestions made by Group treasury, the Senior Management takes decisions in relation to the management of foreign exchange risk.

In March 2022, the Central Bank of Sri Lanka allowed the currency to free float due to which there was a significant depreciation of Sri Lankan Rupee against United States Dollar by 31 March 2022 and there was considerable volatility in the Foreign exchange market. Simultaneously with the depletion of the foreign currency reserves in the country, foreign exchange liquidity challenges were experienced. Hemas Group treasury proactively executes necessary measures to manage the foreign currency requirements for the company operations. This has been assisted by the fact that the company operates in defensive industry with the majority of the product portfolio categorised as "essential".

**Sensitivity Analysis**
The following tables demonstrate the sensitivity to a reasonably possible change in USD, exchange rate against LKR with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

The major part of the foreign transactions is dealt with US Dollars.

| | Change in US Dollar Rate | | | |
|---|---|---|---|---|
| | 25% Movement | | 30% Movement | |
| | Strengthening Rs. | Weakening Rs. | Strengthening Rs. | Weakening Rs. |
| Effect on Profit of the Company | (195,551,081) | 195,551,081 | (234,661,297) | 234,661,297 |

**Credit risk**
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

**Trade receivables**
Customer credit risk is managed by each company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the established credit risk evaluation policy and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored.

**Cash deposits**
Credit risk from balances with banks is managed in accordance with the Company treasury policy. Investments of surplus funds are made only with approved counterparties as per this policy.

# Notes to the Financial Statements

### Liquidity risk

The Company monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and finance leases. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of Companys financial liabilities based on contractual undiscounted payments.

| Company | On Demand | Less than 3 Months | 3 to 6 Months | 6 to 9 Months | 9 to 12 Months | Above 1 year | Total |
|---|---|---|---|---|---|---|---|
| Bank Overdraft | 544,706,486 | - | - | - | - | - | 544,706,486 |
| Bank Loans | - | 8,333,334 | 8,333,334 | 8,333,334 | 2,777,778 | 2,000,000,000 | 2,027,777,780 |
| Trade and Other Liabilities | - | - | - | - | 2,517,033,606 | - | 2,517,033,606 |
| Lease Liabilities | - | 7,843,425 | 7,863,270 | 7,873,193 | 10,837,693 | 28,544,690 | 62,962,270 |
| | 544,706,486 | 16,176,759 | 16,196,604 | 16,206,527 | 2,530,649,076 | 2,028,544,690 | 5,152,480,142 |

### Capital management

Capital includes ordinary shares. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes managing capital during the years ended 31 March 2022 and 31 March 2021.

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eighty Third (83rd) Annual General Meeting ("AGM") of Morison Limited will be held on Monday, 27th June 2022, at 2.00 p.m., as a Virtual AGM for the following purpose:

**AGENDA**

1. To receive and consider the Statements of Accounts of the Company for the year ended 31st March 2022, together with the Reports of the Directors and Auditors thereon.
2. To re-elect as Director, Ms. Kasturi A. Chellaraja Wilson who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
3. To re-elect as Director, Mr. A. Zalmi Fazeel who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
4. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration.
5. To authorise the Directors to determine and make donations to Charity.

By Order of the Board of
Morison Limited

**Hemas Corporate Services (Private) Limited**
Secretaries

24th May 2022

**NOTES**

- The AGM will be held as a Virtual AGM in conformity with the regulatory provisions of the Company.
- The Shareholders who wish to participate in the Virtual AGM are kindly requested to forward a duly completed Form of Registration to the email address shinskaw@hemas.com or deliver to the Registered Office of the Company, 'Hemas House' No. 75 Braybrooke Place, Colombo 02, not later than 3 days before holding of the meeting. The Shareholders are requested to provide an email address through which the web link to participate at the Virtual AGM and the relevant instructions for same could be communicated to the respective shareholder.
- A member entitled to attend and vote at the AGM may appoint a Proxy to attend and vote in his/her place.
- A Proxy need not be a Member of the Company.
- A Form of Proxy accompanies this Notice.
- The completed Form of Proxy should be forwarded to the email address shinskaw@hemas.com or directly deposited at the Registered Office of the Company 'Hemas House' No. 75, Braybrooke Place, Colombo 2 not later than 48 hours before holding of the meeting.
- Kindly note that only registered shareholders and proxy holders will be permitted to participate in the Virtual AGM.
- Shareholders who are unable to participate at the Virtual AGM are encouraged to appoint a director as his/her/its proxy by forwarding the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward the Form of Proxy to the email address shinskaw@hemas.com or deposit the Form of Proxy at the Registered Office of the Company, 'Hemas House' No. 75, Braybrooke Place, Colombo 02 not later than 48 hours prior to holding of the meeting, in order that their vote may be identified and recorded as if he/she/it were present at the Meeting.

# NOTES

## Notes

# FORM OF REGISTRATION OF SHAREHOLDER INFORMATION – MORISON LIMITED

**MORISON LIMITED - (PQ 77 PB)**
83RD ANNUAL GENERAL MEETING

**Registration of Shareholder Information**

To: The Secretaries
Hemas Corporate Services (Private) Limited
'Hemas House' No. 75, Braybrooke Place
Colombo 02.

1. Full name of Shareholder : ..............................................................................................

2. Address of Shareholder : ..............................................................................................

3. Shareholder's NIC no./ Passport no./ Company registration no. : ..............................................................................................

4. Shareholder's contact No. (Residence) : ..............................................................................................

   (Mobile) : ..............................................................................................

5. Shareholder's Email address : ..............................................................................................

*Kindly note that the web link to participate at the Virtual Annual General Meeting will be communicated to the aforementioned e-mail address of the shareholder.

6. Full name of joint shareholder 1 : ..............................................................................................

7. NIC no./ Passport of joint shareholder 1 : ..............................................................................................

8. Full name of joint shareholder 2 : ..............................................................................................

9. NIC no./ Passport of joint shareholder 2 : ..............................................................................................

| | | |
|---|---|---|
| ........................................... | ........................................... | ........................................... |
| Principal Shareholder's Signature & Date | 1st Joint Shareholder's Signature & Date | 2nd Joint Shareholder's Signature & Date |

# FORM OF PROXY – MORISON LIMITED VOTING

I/We ..................................................................................................................................................................................................................

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

named company hereby appoint:

| | |
|---|---|
| Mr. Murtaza A. H. Esufally of Colombo | or failing him |
| Mr. A. M. Dinesh K. Athapaththu of Kadawatha | or failing him |
| Ms. B. Arundathi I. Rajakarier of Colombo | or failing her |
| Mr. Ranjan Chakravarti of India | or failing him |
| Ms. Kasturi A.C. Wilson of Colombo | or failing her |
| Dr. Sanjit Singh Lamba of India | or failing him |
| Mr. A. Zalmi Fazeel of Colombo | or failing him |

............................................................................................................................................................................................................ of

..................................................................................................................................................................................................................

bearing National Identity Card no./ Passport no. ............................................................... as my/our* Proxy to represent me/us* and vote for me/us* on my/our* behalf at the Annual General Meeting ("AGM") of the Company to be held as a Virtual AGM on Monday, the 27th June 2022 at 2.00 p.m. and at any adjournment thereof.

| | For | Against |
|---|---|---|
| 1. To receive and consider the Financial Statements of the Company for the year ended 31st March 2022 together with the Reports of the Directors and Auditors thereon. | | |
| 2. To re-elect as Director, Ms. Kasturi A. Chellaraja Wilson who retires by rotation in terms of Article 84 of the Articles of Association of the Company. | | |
| 3. To re-elect as Director, Mr. A. Zalmi Fazeel in terms of Article 84 of the Articles of Association of the Company. | | |
| 4. To re-appoint M/s Ernst & Young, Chartered Accountants, as auditors of the Company and authorize the Directors to determine their remuneration. | | |
| 5. To authorize the Directors to determine and make donations to Charity. | | |

*The Proxy may vote as he/she thinks fit on any other resolution brought before this meeting.

| ................................... | ................................... | ................................... |
|---|---|---|
| Signature/s | Date | NIC/ Passport No. |

**Note:**
* Please delete the inappropriate words.
Instructions as to completion are noted on the reverse hereof.

# Form of Proxy – Morison Limited Voting

**INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY**

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided and filling the date of signature and your National Identity Card Number or the Passport number.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association/Statutes.

4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.

5. The completed Form of Proxy, addressed to the Secretaries should be forwarded to the email address shinskaw@hemas.com, faxed to +94 11 4731777 or directly deposited at the Registered Office 'Hemas House' No. 75, Braybrooke Place, Colombo 2 not less than Forty-Eight (48) hours before holding of the meeting together with the following information.

| | |
|---|---|
| Name of Shareholder | |
| Telephone number of the shareholder | |
| Email address to which the web link and relevant instructions, should be forwarded for proxy holder's participation at the Virtual AGM. | |

# FORM OF PROXY – MORISON LIMITED NON – VOTING

I/We ....................................................................................................................................................................................................... of

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

named company hereby appoint:

| | |
|---|---|
| Mr. Murtaza A. H. Esufally of Colombo | or failing him |
| Mr. A. M. Dinesh K. Athapaththu of Kadawatha | or failing him |
| Ms. B. Arundathi I. Rajakarier of Colombo | or failing her |
| Mr. Ranjan Chakravarti of India | or failing him |
| Ms. Kasturi A.C. Wilson of Colombo | or failing her |
| Dr. Sanjit Singh Lamba of India | or failing him |
| Mr. A. Zalmi Fazeel of Colombo | or failing him |

...................................................................................................................................................................................................................... of

.........................................................................................................................................................................................................................

bearing National Identity Card no./ Passport no. .................................................................as my/our* Proxy to represent me/us* on my/our* behalf at the Annual General Meeting ("AGM") of the Company to be held as a Virtual AGM on Monday, the 27th June 2022 at 2.00 p.m. and at any adjournment thereof.

| | | |
|---|---|---|
| ................................... | ................................... | ................................... |
| Signature/s | Date | NIC/ Passport No. |

**Note:**
* Please delete the inappropriate words.
Instructions as to completion are noted on the reverse hereof.

# Form of Proxy – Morison Limited
# Non – Voting

**INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY**

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and by signing in the space provided and filling the date of signature and your National Identity Card Number or the Passport number.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.

3. In the case of Corporate Members, the Form of Proxy must be completed under the Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association/Statutes.

4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy.

5. The completed Form of Proxy, addressed to the Secretaries should be forwarded to the email address shinskaw@hemas.com , faxed to +94 11 4731777 or directly deposited at 'Hemas House' No. 75, Braybrooke Place, Colombo 2 not less than Forty-Eight (48) hours before holding of the meeting together with the following information.

| | |
|---|---|
| Name of Shareholder | |
| Telephone number of the shareholder | |
| Email address to which the web link and relevant instructions should be forwarded for proxy holder's participation at the Virtual AGM | |

# CORPORATE INFORMATION

**Legal Form**
Public Company with Limited Liability

**Date of Incorporation**
31st January 1939

**Date of Re-registration**
5th September 2007

**Registration Number**
PQ 77 PB

**Accounting Year End**
31st March

**Registered Office**
'Hemas House' No. 75, Braybrooke Place,
Colombo 2.
Tel: 0114 731 731 (Hunting)
Fax: 0114731777

**Auditors**
Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo 10

**Directors**
Mr. M. A. H. Esufally (Chairman)
Mr. A. M. D. K. Athapaththu (Managing Director)
Ms. B. A. I. Rajakarier
Ms. K. A. C. Wilson
Mr. R. Chakravarti
Dr. S. Singh Lamba
Mr. A. Z. Fazeel

**Secretaries**
Hemas Corporate Services (Private) Limited
'Hemas House' No. 75, Braybrooke Place,
Colombo 2.
Tel: 0114 731 731 (Hunting)
Fax: 0114731777

**Registrars**
SSP Corporate Services (Private) Limited
101, Inner Flower Road,
Colombo 3

**Lawyers to the Company**
Group Legal
Hemas Holdings PLC

**Bankers**
Bank of Ceylon
People's Bank
Standard Chartered Bank
National Development Bank PLC
Nations Trust Bank PLC
The Hong Kong and Shanghai Banking Corp. Ltd
Commercial Bank of Ceylon PLC
Citi Bank N.A
Deutsche Bank AG

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Morison

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Tel: 0114 731 731  Fax: 0114 731 777  www.morison.lk