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**MORISON LIMITED**  
**ANNUAL REPORT 2020/21**

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## **Morison Limited**

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

*At Morison's our purpose is to offer wellness and a better quality of life to Sri Lankans. We accomplish this through the provision of trusted pharmaceutical and OTC products that are efficacious and of high quality at an affordable cost.*

*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 January 1939, 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

Recommended 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 - 2021

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

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

## CHAIRMAN'S MESSAGE



“THE YEAR UNDER REVIEW  
DEMONSTRATED ONE OF THE  
STRONGEST PERFORMANCES IN  
MORISON HISTORY”

On behalf of the Board of Directors, it is my pleasure to provide you with an account of the performance of the company during the financial year ended 31st March 2021.

This was a period where the pharma private market grew by 8% over the previous year. Overall, the demand for antibiotic and respiratory products reduced due to citizens taking health precautions such as hand washing, masking and social distancing. However, demand for other products especially those that treat non communicable diseases grew with people being more conscious of their medication compliance.

The year under review demonstrated one of the strongest performances in Morison history. Despite multiple challenges faced in the initial months with the outbreak of Covid-19, the team demonstrate strong resilience growing revenue by 13% and



production volumes by 9% over last year. The Managing Director will share a detailed update on the key highlights of the year's performance.

We are also proud of all the work we have done to employee health and safety to make our plants and people safe and to avoid any suffering or serious illnesses. We have invested substantial funds to make sure employees were provided with transport, adequate PPE and a flexible and safe working environment.

Our new pharmaceuticals research and manufacturing facility in Homagama, was unveiled in October 2020, by the Honourable Prime Minister with the participation of multiple government officials, medical officials and industry experts. I believe this is an important milestone in the Sri Lankan pharmaceutical manufacturing industry as this facility will uplift the standards of the local pharmaceutical manufacturing industry through increased production of high quality pharmaceuticals on par with global standards.

The new manufacturing facility can produce 5 billion tablets and 2 million litres of liquid per annum, which will greatly enhance the nation's capacity to locally fulfil its tablet and liquid requirements, whilst creating opportunities to attract many manufacturing partners to reach global markets. Although the country lockdown delayed the facility qualification and product validation procedures, I am confident the team will work towards commencing commercial manufacturing by mid FY21/22. Once operations initiate, I believe Morison is uniquely positioned to deliver a high quality product on par with global quality standards at a substantial price benefit to the Sri Lankan consumer. We intend to partner with many of our long standing global pharma principals for contract manufacturing arrangements and to establish a global footprint through these partnerships.

The shareholders of Morison PLC approved the special resolution to de-list its voting and non-voting shares from the official list of the Colombo Stock Exchange (CSE) at an Extraordinary General Meeting held on 27th September 2019 as the company is unable to meet the minimum public holding requirements for the Main Board or the Diri Savi Board contained in Rule 7.13 of the Listing Rules of the CSE. Subsequently, Securities and Exchange Commission (SEC) approved the company application for the delisting in February 2020. With the

certification received from the Registrar General of Companies in April 2021, the company will now be known as "Morison Limited" going forward.

The financial year ahead will be full of its own challenges due to continued disruptions with Covid-19, the economic slow-down, exchange fluctuations etc. Further we see the demand for some products we supplied under the government Buyback scheme dropping substantially. There is a lack of clarity in the quantity allocation process between SPMC JVs and local manufacturers. However, I am confident that with the new plant coming into operation, we will generate more opportunities to overcome these challenges.

As a responsible supplier of medicine and diagnostics solutions, we ensured that we played our role in meeting the healthcare needs of the country, prioritizing on manufacturing our commitments to government hospitals during the lockdown period. I would like to take this opportunity to thank all concerned, especially staff in the frontline who overcame multiple barriers to accomplish this.

I take this opportunity to thank the Morison family for their resilience demonstrated during the year despite multiple challenges in both macro and micro environments, and I trust the same determination will be rendered during my tenor as the Chairman. Our diversified Board of Directors ensure that we collectively look at problems and opportunities from multiple perspectives prior to arriving at key decisions, and my sincere thanks go out to them. I am also grateful and honoured to be appointed as Chairman of the Board with effect from 1st April 2021. I would like to thank our outgoing Chairman Husein Esufally for his wisdom and board leadership setting the tone for strong corporate governance whilst encouraging an entrepreneurial mindset. Finally, my deep gratitude goes out to our valued customers, government authorities, business partners and shareholders for the continued trust vested on us. I look forward to Morison building on its success and making an even more meaningful impact in the years to come.



**Murtaza Esufally**  
Chairman

09 June 2021

## MANAGING DIRECTOR'S MESSAGE



“OUR CORE PURPOSE IS TO BRIDGE THE GAPS SRI LANKAN FAMILIES UNDERGO WHEN MEETING THEIR PHARMACEUTICAL NEEDS, BY MAKING PREMIUM HEALTHCARE AFFORDABLE ACROSS THE COUNTRY”

It gives me great pleasure to report to you on the company performance of the financial year ending March 2021, which stood out as a year of solid performance despite a challenging business climate due to the consequences of the Covid-19 pandemic. It is encouraging to see that the company closed the year with a strong positive momentum, recording the ever-highest revenue and production output in the history of Morison.

The financial year 20/21 was a year that the Morison team demonstrated the true power of collaboration, focus and resilience. At the outset of a dismal first quarter affected by the country lockdown imposed with the Covid-19 outbreak, the performance that was delivered by the end of the year was far beyond any set expectations of the company. Execution of few key robust initiatives to drive more focus, timely interventions to grasp opportunities that emerged in the business environment and establishing a performance driven culture built on teamwork and constant monitoring could be broadly understood as the success pillars that ensured that our core business verticals delivered value.

Under the current situation in the country, we saw better opportunities for our imported personal care business with our group sister companies. As a result, necessary measures were taken to discontinue the two high end personal care brands, and re-structuring the distribution of our consumer health business vertical was conducted alongside this. This contributed to our journey to become more focused in the healthcare space while maximizing growth in our key segments.

The company managed to report a 13% YOY sales growth amidst challenging circumstances. The growth of the focus segments excluding the discontinued brands was 22%. Sustained efforts were taken towards driving the production output in our Mutwal factory to ensure that we meet customer demands in compliance with Covid-19 safety precautions. Our bulk generic pharmaceutical business showed a strong 20% plus growth over last year by leveraging the changing pharma trends in the current context. Our distributed pharma business reported a solid 40% growth taking due advantage of market gaps that emerged. Our premium diagnostic business managed to record more than 30% YOY growth through continuous business expansion initiatives. Morison managed to assist in increasing the PCR capacity of the public sector by supplying a sophisticated diagnostics solution from our partner Roche. Our flagship OTC brands predominantly comprising of Morison's Gripe Mixture and Lacto Calamine continued to demonstrate strong momentum with double digit growth with the sales and distribution outsourcing to our Hemas sister company. However, our government Buyback business that supplies medicine for government hospitals declined by 6% during the year, predominantly due to the slow movement of medicines at government hospitals with the pandemic situation.

The company reported an operating profit of LKR 462 Mn during the year. Excluding the one-off cost incurred in logistics migration in the previous year, this is a 29% YOY growth. This profitability improvement was on the back of significant expenditure incurred towards maintaining optimum Covid-19 precautionary measures to ensure the safety of our employees.

It was a very proud moment for all of us to inaugurate the largest oral solid dosage pharmaceutical manufacturing and research plant in Sri Lanka, in Homagama last year. The new plant is capable of producing 5 billion tablets and 2 million litres of liquid per annum which can cater to a significant portion of the country's tablet and liquids requirements. With more and more countries shifting towards

local pharma manufacturing to ensure pharmaceutical security, we see immense potential in our investment. I am confident that once commercial operations commence, we will be uniquely positioned to tap into many business opportunities in the growing pharmaceutical space. We commit to secure a global accreditation such as EU GMP and acquire the know how to develop and manufacture novel and complex pharmaceuticals, by upgrading our R&D and formulation development capabilities by partnering with globally acclaimed resources.

As an extension to our continuous efforts to make an impact in the diabetic space, we launched Empagliflozin 10mg the first locally manufactured SGLT2 molecule in Sri Lanka under the brand "Empamor", at approximately 50% less than the average market price. We trust this will be the first step of the journey we aspire for Morison in the Sri Lankan pharma space. Further, we also launched "Lacto Hydra Intense", a specialist skincare solution for sensitive skin under our heritage brand Morison's Lacto Calamine in our consumer range.

We have a very young team at Morison working with some of the best experienced resources in the industry. I have confidence in their energy and learning agility, in fact I consider them as the greatest strength we have. We will continue to invest in building capabilities and leadership among our employees to continuously learn and upgrade their skills to take Morison to the heights it deserves.

Let me take this opportunity to thank the Morison team for their unwavering commitment demonstrated to emerge stronger than ever before during these challenging times. I am full of optimism as I truly believe that working together as a team, we can elevate our standards and make a remarkable impact to the healthcare industry in Sri Lanka. My gratitude goes out to the Chairman and the Board of Directors for their invaluable guidance rendered in the past year, and for appointing me as the Managing Director to steer the company forward. I am grateful for the trust placed on us by our business partners and shareholders and I assure you that we will continue to take decisive action required to thrive amidst all challenges. Finally, my sincere appreciation goes out to our valued customers, and I am confident that the Morison family will deliver on our purpose to make premium pharmaceuticals affordable across Sri Lanka.



**Dinesh Athapaththu**  
Managing Director

09 June 2021

# 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 2021.

## 1. PRINCIPAL ACTIVITIES OF THE COMPANY

Manufacturing, Importing and distribution of pharmaceuticals, medical aid, and hair care products, diagnostics reagent and equipment, cosmetics and other consumer products.

## 2. FINANCIAL STATEMENTS OF THE COMPANY

The financial statements of the Company, duly certified by the Finance Officer 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 18 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. 2020/21 RESULTS

The total revenue of the Company for the year ended 31 March 2021 was reported as Rs 4,196,035,013 (for the year ended 31 March 2020 – Rs 3,695,080,948)

The profit before income tax of the Company for the year ended 31 March 2021 was Rs 366,597,899 (for the year ended 31 March 2020 - Rs. 234,995,206) and Profit after tax for the year ended 31 March 2021 was reported as Rs. 284,555,482 (for the year ended 31 March 2020 – Rs.177,324,644).

## 5. DIRECTORS

The Board of Directors of the Company as at the date of this report comprises 7 Directors.

The names of the persons who held office as Directors of the Company during the year under review are as follows.

1. Mr. Murtaza A. H. Esufally – Non-Executive Director/ Chairman
2. Mr. Husein N. Esufally – Non-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. Mr. Sanjit Singh Lamba - Independent Non-Executive Director

During the year under review, Mr. Husein Esufally served as the Non-Executive Chairman of the Company and retired from both his position as Chairman and the Board of Directors w.e.f. 31st March 2021.

Mr. Murtaza Esufally served as the Managing Director of the company during the year under review and changed his capacity on the Board to a Non-Executive Director w.e.f. 1st April 2021. Mr. Murtaza Esufally has been appointed the Chairman of the Company w.e.f. 1st April 2021.

Mr. Dinesh Athapaththu was appointed to the Board of Directors and as the Managing Director of the Company w.e.f. 1st April 2021.

### 5.1 Re-election of Directors

Mr. Ranjan Chakravarti 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.

Ms. B. Arundathi I. Rajakarier 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.

Dr. Sanjit Singh Lamba retires in accordance with Article 72 of the Articles of Association, but being eligible, offers himself for re-appointment with the unanimous support of the Board.

Mr. Dinesh Athapaththu retires in accordance with Article 72 of the Articles of Association, but being eligible, offers himself for re-appointment with the unanimous support of the Board.

## 6. DIRECTORS' DISCLOSURE IN DEALING IN SHARES

Directors' Interest in Ordinary Voting Shares of the Company – Direct

	31.03.2021	31.03.2020
Mr. Husein Esufally (Chairman as at 31.03.2021)	Nil	Nil
Mr. Murtaza Esufally (Managing Director as at 31.03.2021)	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
Mr. Dinesh Athapaththu (Appointed w.e.f. 1st April 2021)	Nil	Nil

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

	31.03.2021	31.03.2020
Mr. Husein Esufally (Chairman as at 31.03.2021)	600	600
Mr. Murtaza Esufally (Managing Director as at 31.03.2021)	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
Mr. Dinesh Athapaththu (Appointed w.e.f. 1st April 2021)	Nil	Nil

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

	31.03.2021	31.03.2020
Mr. Husein Esufally (Chairman as at 31.03.2021)	Nil	Nil
Mr. Murtaza Esufally (Managing Director as at 31.03.2021)	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
Mr. Dinesh Athapaththu (Appointed w.e.f. 1st April 2021)	Nil	Nil

#### 7. DONATIONS

During the year charitable donations amounting to Rs. 1,615,485/- were made by the Company (2020 - Rs. 579,191/-).

#### 8. PUBLIC HOLDING OF SHARES

The number of ordinary voting shares held by the public as at 31 March 2021 was 235,944 amounting to 3.12% of the issued share capital of the Company and the number of ordinary non-voting shares held by the public as at 31 March 2021 was 101,649 amounting to 1.34% of the issued share capital of the Company.

#### 9. DE-LISTING OF THE SHARES OF THE COMPANY FROM THE OFFICIAL LIST OF THE COLOMBO STOCK EXCHANGE

As Morison PLC was unable to meet the minimum public holding requirements set out in regulation 7.13 of the Listing Rules of the Colombo Stock Exchange for the Main Board or the Diri Savi Board as at 2nd July 2018, the Company was transferred to the Watch List of the Colombo Stock Exchange.

An Extraordinary General Meeting ("EGM") was held on 27th September 2019 at which the shareholders' approval was obtained by special resolution to de-list the shares of the Company from the official list of the Colombo Stock Exchange ("CSE"). Following the above, the Company presented an application to the Securities and Exchange Commission and obtained approval to follow the regulatory procedure with regard to delisting of the shares from the CSE. The Company was de-listed from the official list of the Colombo Stock Exchange on 29th September 2020.

#### 10. 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.

#### 11. RESERVES

Details of Capital and Revenue Reserves of the Company are given in Note 12 on page 38 to the Financial Statements.

#### 12. ARTICLES OF ASSOCIATION

The Articles of Association of the Company may be amended by passing a special resolution.

The Company was de-listed from the official list of the Colombo Stock Exchange on 29th September 2020. Following the above the Company has changed its status from a Public Limited Company to a Public Company. The change of status of the Company requires the Company to amend its Articles of Association.

An Extraordinary General Meeting will be held immediately after the conclusion of the Annual General Meeting, to seek shareholders' approval to amend the Articles of Association of the Company.

#### 13. STATED CAPITAL

Details of the Stated Capital of the Company are given in Note 11 to the financial statements. There was no movement in the stated capital during the accounting period under review.

#### 14. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events which occurred after the Balance Sheet date that would require adjustments to or disclosure in the Financial Statements.

#### 15. 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.

#### 16. 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.

#### 17. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies adopted by the Company in the preparation of the Financial Statements are given on pages 23 to 32 of the Annual Report.

#### 18. GOING CONCERN

The Directors, having reviewed the basis of the current financial projections and resources available to continue business operations, are confident that the Company has adequate resources to continue

## Annual Report of the Directors

business operations in the foreseeable future. Accordingly, the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

### 19. EXTERNAL AUDITORS

The following payments were made to the Company's External Auditors, Messrs. Ernst & Young.

	2020/21	2019/20
Audit Fees and Expenses	2,417,885	2,324,827
Fees for other services and Expenses	1,138,967	1,350,073

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 16 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.

### 20. ANNUAL GENERAL MEETING (AGM)

The AGM of the Company for the financial year 2020/21 will be held at 11.00 a.m. on Thursday, 30th September 2021 as a Virtual AGM.

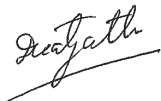
### 21. ACKNOWLEDGEMENT OF CONTENTS OF THE REPORT

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**  
Director



**Dinesh Athapaththu**  
Director



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

Colombo  
09th June 2021

## 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 31 March 2021, 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 its 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.



**Jeewantha Sanjeewa**  
*Head of Finance/ Accounting Officer*



**Murtaza Esufally**  
*Chairman*



**Dinesh Athapaththu**  
*Managing Director*

Colombo  
09th June 2021

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# FINANCIAL REPORTS

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## Independent Auditors' Report

## INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
Chartered Accountants  
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AdeS/FNN/JJ

### 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 2021, 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 2021 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.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA A A J R Perera ACA ACMA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principals: G B Goudian ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

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.



09 June 2021  
Colombo

## STATEMENTS OF FINANCIAL POSITION

As at 31 March	Note	2021 Rs.	2020 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	3	5,328,373,992	4,208,424,873
Right to Use Assets	4	40,204,050	40,700,576
Intangible Assets	5	20,320,053	23,403,283
Other Non Current Advances		-	80,500,254
Lease Receivable - Non current	8	142,417,731	177,800,327
Other Receivable - Non current		1,010,918	1,037,238
		5,532,326,744	4,531,866,551
<b>Current Assets</b>			
Inventories	9	1,225,825,470	1,170,162,019
Trade and Other Receivables	10	1,586,633,273	1,539,626,702
Advances and Prepayments		68,916,125	85,079,858
Lease Receivable - Current		66,897,809	60,229,618
Cash and Cash Equivalents	17	174,287,814	103,957,595
		3,122,560,491	2,959,055,792
<b>Total Assets</b>		8,654,887,235	7,490,922,343
<b>EQUITY AND LIABILITIES</b>			
Stated Capital	11	7,924,800	7,924,800
Other Components of Equity	12	1,807,838,934	1,576,426,339
Retained Earnings		2,626,903,959	2,347,125,267
<b>Total Equity</b>		4,442,667,693	3,931,476,406
<b>Non-Current Liabilities</b>			
Interest Bearing Loans and Borrowings	13	1,000,092,553	1,159,961,111
Lease Liability - Non current	4	37,028,198	36,614,271
Deferred Tax Liabilities	23.2	255,597,883	264,034,187
Retirement Benefit Liability	14	116,297,240	102,406,144
		1,409,015,874	1,563,015,713
<b>Current Liabilities</b>			
Trade and Other Payables	15	1,243,199,620	1,098,626,487
Lease Liability - Current	4	6,148,801	4,517,376
Interest Bearing Loans and Borrowings	13	1,494,875,982	850,429,146
Income Tax Liabilities		48,763,089	32,641,039
Dividends Payable	16	10,216,176	10,216,176
		2,803,203,668	1,996,430,224
<b>Total Equity and Liabilities</b>		8,654,887,235	7,490,922,343

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



**Jeewantha Sanjeewa**  
Head of 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 23 through 47 form an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS

Year ended 31 March	Note	2021 Rs.	2020 Rs.
<b>Revenue</b>	18	4,196,035,013	3,695,080,948
Cost of Sales		(2,903,181,834)	(2,467,677,272)
<b>Gross Profit</b>		1,292,853,179	1,227,403,676
Other Operating Income and Gains	19	3,637,099	32,911,844
Selling and Distribution Costs		(455,904,667)	(587,960,504)
Administrative Expenses		(415,641,768)	(430,345,740)
<b>Operating Profit</b>		424,943,843	242,009,276
Finance Cost	20.1	(65,459,953)	(37,102,701)
Finance Income	20.2	7,114,009	30,088,631
<b>Profit Before Tax</b>	21	366,597,899	234,995,206
Income Tax Expense	22	(82,042,417)	(57,670,562)
<b>Profit for the Year</b>		284,555,482	177,324,644
Earnings Per Share - Basic	23	37.69	23.48

The Accounting Policies and Notes on pages 23 through 47 form an integral part of these financial statements.

## STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 March	Note	2021 Rs.	2020 Rs.
<b>Profit for the Year</b>		284,555,482	177,324,644
<b>Other Comprehensive Income</b>			
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
Actuarial Gains / (Losses) on Defined Benefit Plans	14	(6,124,090)	(8,170,336)
Income Tax Effect		1,347,300	2,287,694
Revaluation of Land and Buildings	12.1	228,570,024	-
Income Tax Effect		2,842,571	-
<b>Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods</b>		231,412,595	(5,882,642)
<b>Other Comprehensive Income/(Loss) for the Year, net of tax</b>		226,635,804	(5,882,642)
<b>Total Comprehensive Income for the Year, net of tax</b>		511,191,286	171,442,002

The Accounting Policies and Notes on pages 23 through 47 form an integral part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March	Notes	Stated Capital Rs.	Revaluation Reserve Rs.	General Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>As at 01 April 2019</b>		7,924,800	845,626,339	730,800,000	2,175,683,265	3,760,034,404
Profit for the year		-	-	-	177,324,644	177,324,644
Other Comprehensive Income		-	-	-	(5,882,642)	(5,882,642)
Total Comprehensive Income		-	-	-	171,442,002	171,442,002
<b>As at 31 March 2020</b>		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)	226,635,804
Total Comprehensive Income		-	231,412,595	-	279,778,692	511,191,286
<b>As at 31 March 2021</b>		7,924,800	1,077,038,934	730,800,000	2,626,903,959	4,442,667,692

The Accounting Policies and Notes on pages 23 through 47 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

Year ended 31 March	Note	2021 Rs.	2020 Rs.
<b>Cash Flows From Operating Activities</b>			
Profit before Income Tax Expense		366,597,899	234,995,206
Adjustments for			
Depreciation of Property, Plant and Equipment	3	76,728,261	73,425,311
Depreciation of Right - of - use Assets	4	6,432,862	6,516,021
Impairment of Intangible Assets		5,738,788	-
Profit on Sale of Property, Plant and Equipment	20	(1,174,438)	(32,379,388)
Interest Income	20.2	(7,114,009)	(30,088,631)
Finance Costs	20.1	65,459,953	37,102,701
Provision for Defined Benefit Plans - Gratuity	14	20,021,641	20,114,890
Operating Profit before Working Capital Changes		532,690,956	309,686,110
(Increase) / Decrease in Inventories		(55,663,451)	(322,724,844)
(Increase) / Decrease in Trade and Other Receivables		(47,006,570)	(230,293,873)
(Increase) / Decrease in Advances and Prepayments		16,163,735	(8,947,802)
Increase / (Decrease) in Trade and Other Payables		144,625,827	393,232,632
Cash Generated from Operations		590,810,498	140,952,223
Finance Costs Paid	20.1	(60,351,219)	(31,732,694)
Defined Benefit Plan Costs Paid	15	(12,254,635)	(26,874,417)
Tax Paid		(70,166,800)	(54,883,032)
Net Cash Flows from Operating Activities		448,037,845	27,462,080
<b>Cash Flows From / (Used in) Investing Activities</b>			
Acquisition of Property, Plant and Equipment	3	(972,303,113)	(1,672,073,970)
Acquisition of Intangible Assets		(2,655,558)	(494,212)
Proceeds from Sale of Property, Plant and Equipment		5,317,499	39,152,043
Net investment in Diagnostic Instruments		28,740,725	(56,450,597)
Net Payments towards Other Non Current Advances		80,500,254	(336,177,409)
Interest Received	20	7,114,009	30,088,631
Net Cash Flows Used in Investing Activities		(853,286,185)	(1,995,955,514)
<b>Cash Flows From / (Used in) Financing Activities</b>			
Proceeds from Interest Bearing Loans and Borrowings	13	2,195,569,700	2,526,810,426
Repayment of Interest Bearing Loans and Borrowings	13	(1,691,293,759)	(755,555,556)
Principal Payments under Finance Lease Liabilities		(8,999,718)	(8,648,857)
Dividends Paid		-	(90,445)
Net Cash Flows Used in Financing Activities		495,276,223	1,762,515,568
<b>Net Increase in Cash and Cash equivalents</b>		90,027,883	(205,977,866)
<b>Cash and Cash equivalents at the beginning of the year</b>	17	(93,177,792)	112,800,074
<b>Cash and Cash equivalents at the end of the year</b>	17	(3,149,909)	(93,177,792)

The Accounting Policies and Notes on pages 23 through 47 form an integral part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 General

Morison Limited- Previously known as Morison PLC (“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 situated at No. 620, Biyagama Road, Pethiyagoda, Kelaniya.

An Extraordinary General meeting of the Company was held on 27th September 2019, at which the shareholders approved the special resolution to de-list the company’s shares from the official list of the Colombo Stock Exchange. Notice of the above was presented to the Colombo Stock Exchange and the Shareholders of Morison PLC on 4th September 2019. Accordingly, the shares of the company have been suspended from trading on the Colombo Stock Exchange w.e.f. 4th September 2019.

Securities and Exchange Commission (SEC) approved the Company’s application for the delisting on 5th February 2020 and SEC announced on 29th September 2020 that CSE confirmed that Morison PLC has been de-listed from the official list of the CSE w.e.f. 29th September 2020.

On 21 April 2021, The registrar general of companies issued an incorporation certificate under the name of Morison Limited.

### 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, and hair care products, 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 Authorisation for Issue

The financial statements of Morison Limited for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 09 June 2021.

## 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 Directors have made an assessment of the Company’s ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statements 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 except land and buildings and fair value through other comprehensive income financial assets that have been measured at 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.

## Notes to the Financial Statements

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 3 – 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

Diagnostic 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.

## Notes to the Financial Statements

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

No depreciation is provided on freehold land.

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 Financial Assets and Liabilities

#### 2.3.3.1 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.

## Notes to the Financial Statements

### 2.3.3.2 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 consolidated 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.

### 2.3.4 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.

### 2.3.5 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.

### 2.3.6 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.

## Notes to the Financial Statements

### 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	2.3.3/2.3.6	-
Employee benefit liabilities	2.4.1	14
Financial Instruments	2.3.3	9

**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:

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

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. The Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

## Notes to the Financial Statements

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 and the Company's independent auditors. This 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.

### 2.10 NEW STANDARDS AND INTERPRETATIONS ISSUED 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 SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

IBOR reforms Phase 2 include number of reliefs and additional disclosures. Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform.

These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

### Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 01 June 2020.

None of the new or amended pronouncements are expected to have a material impact on the financial statements of the company in the foreseeable future.

CA Sri Lanka is in the process of adopting amendments made by IASB with a future effective date to IAS 1, Conceptual Framework, IAS 16, IAS 37, IFRS 1, IFRS 9 and IAS 41. Management intend to assess the probable implications of such amendments on financial statements, once those are locally adopted.

### 3. PROPERTY, PLANT AND EQUIPMENT

#### 3.1

#### 3.1.1 Cost or Valuation

Year ended 31 March 2021	Freehold Land	Freehold Buildings	Plant and Machinery	Motor Vehicle	Office Equipments	Furniture and Fittings	Capital Work in Progress	Computer Hardware	Computer Software	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
01 April 2020	899,987,218	468,607,224	424,360,542	65,275,016	27,314,611	40,382,770	2,629,128,388	39,053,611	12,913,690	4,607,023,070
Additions	-	7,714,162	48,904,605	19,039,443	220,840	1,229,730	892,918,922	1,635,411	640,000	972,303,113
Disposals	-	-	-	(7,350,000)	-	-	-	(442,870)	-	(7,792,870)
Increase due to Revaluation	218,162,782	10,407,242	-	-	-	-	-	-	-	228,570,024
Transfers due to Revaluation	-	(42,031,324)	-	-	-	-	-	-	-	(42,031,324)
<b>As at 31 March 2021</b>	<b>1,118,150,000</b>	<b>444,697,304</b>	<b>473,265,147</b>	<b>76,964,459</b>	<b>27,535,451</b>	<b>41,612,500</b>	<b>3,522,047,310</b>	<b>40,246,152</b>	<b>13,553,690</b>	<b>5,758,072,013</b>
3.1.2 Accumulated Depreciation										
01 April 2020	-	27,759,977	265,653,991	32,266,607	18,105,146	16,085,484	-	26,684,321	12,042,671	398,598,197
Charge for the year	-	14,271,347	36,397,223	13,068,067	3,010,666	4,469,016	-	4,470,807	1,041,135	76,728,261
Transfers due to Revaluation	-	(42,031,324)	-	-	-	-	-	-	-	(42,031,324)
Disposals	-	-	-	(3,480,840)	-	-	-	(116,273)	-	(3,597,113)
<b>As at 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>302,051,214</b>	<b>41,853,834</b>	<b>21,115,812</b>	<b>20,554,500</b>	<b>-</b>	<b>31,038,855</b>	<b>13,083,806</b>	<b>429,698,021</b>
3.1.3 Carrying Value										
As at 31 March 2021	1,118,150,000	444,697,304	171,213,933	35,110,625	6,419,639	21,058,000	3,522,047,310	9,207,297	469,884	5,328,373,992
As at 31 March 2020	899,987,218	440,847,247	158,706,551	33,008,409	9,209,464	24,297,286	2,629,128,388	12,369,290	871,020	4,208,424,873

3.1.4 During the financial year, the Company acquired Property, Plant and Equipment to an aggregate value of Rs.972,303,113/- (2020 - Rs.2,117,779,102/-). Cash Payments amounting to Rs. 917,870,032/- (2020 - Rs.1,672,073,970/-) were made during the year for the purchase of Property, Plant and Equipment.

3.1.4.1 Capital work in progress includes Rs.3.4 Bn 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.109 Mn was capitalized during the year ended 31 March 2021 on an actual basis.

## Notes to the Financial Statements

## 3.1.5 Information on the Freehold Land, Freehold Buildings of the Company

	Address	Ownership	Extent	No. of Buildings	Included In
Morison Limited	No.126, Aluthmawatha Road, Colombo 15.	Freehold	27.78 P	1	Property, Plant and Equipment
	No.126/2, Aluthmawatha Road, Colombo 15	Freehold	1R -19.15P	2	Property, Plant and Equipment
	No.618 and 620, Biyagama Road, Pethiyagoda, Kelaniya	Freehold	7A-3R-25P	13	Property, Plant and Equipment

3.1.6 The land and buildings belonging to Morison Limited, situated at No. 126 and 126/2, Aluthmawatha Road, Colombo 15 were revalued during the financial year 2020/21 by M/S Perera Sivakantha & Company, an independent valuer. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 March 2021. The surplus arising from the revaluation was transferred to the revaluation reserve.

Significant unobservable valuation input	Valuation Date	Extent	Range	Method of Valuation	Level of Fair Value Hierarchy
Indicative price per Sq.ft (Aluthmawatha Building)	31.03.2021	43,831 Sq.ft	Rs 75 - Rs 220	Investment Method	Level 3
Indicative price per Sq.ft (Pethiyagoda Building)	31.03.2021	83,686 Sq ft	Rs.30-70	Investment Method	Level 3
Indicative price per perch (Aluthmawatha Land)	31.03.2021	2R-06.93P	Rs 4,500,000 - Rs. 5,000,000	Investment Method	Level 3
Indicative price per perch (Pethiyagoda Land)	31.03.2021	7A-3R-7P	Rs.80,000-Rs.650,000	Investment Method	Level 3

Significant increases / (decreases) in Indicative price per perch would result in a significantly higher (lower) fair value measurement.

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 2021 Rs.	Net Carrying Amount 2020 Rs.
Freehold Land	248,246,193	-	248,246,193	248,246,193
Freehold Buildings	319,053,911	43,093,924	275,908	277,387,590

## 3.1 Fair Values

## 3.1.2

As at 31 March 2021 the Company held the following assets carried at fair value on the statement of financial position:

Assets measured at fair value	As at 31 March 2021 Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
<b>Non Financial Assets</b>				
Freehold Lands	1,118,150,000	-	-	1,118,150,000
Freehold Buildings	444,697,304	-	-	444,697,304
	1,562,847,304	-	-	1,562,847,304

#### 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 2021.

Right of Use Assets	2021	2020
Cost	Rs.	Rs.
At the beginning of the year	47,216,597	-
Effect of adoption of SLFRS 16	-	47,216,597
Additions	5,936,336	-
At the end of the year	53,152,932	47,216,597
<i>Accumulated amortisation and impairment</i>		
At the beginning of the year	6,516,021	-
Amortisation	6,432,862	6,516,021
At the end of the year	12,948,883	6,516,021
At the end of the year	40,204,050	40,700,576
<b>Lease Liabilities</b>		
At the beginning of the year	41,131,647	-
Effect of adoption of SLFRS 16	-	44,410,497
Additions	5,936,336	-
Interest expense	5,108,734	5,370,007
Payments	(8,999,718)	(8,648,857)
<b>At the end of the year</b>	<b>43,176,999</b>	<b>41,131,647</b>
Current	6,148,801	4,517,376
Non-current	37,028,198	36,614,271
<b>Total</b>	<b>43,176,999</b>	<b>41,131,647</b>
The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use assets	6,432,862	6,516,021
Interest expense on lease liabilities	5,108,734	5,370,007
Total amount recognised in profit or loss	11,541,596	11,886,028

#### 5. INTANGIBLE ASSETS

Computer Software	2021	2020
Computer Software	Rs.	Rs.
As at 1 April	23,403,283	22,909,070
Addition made during the year	2,655,558	494,213
Less - Provision for impairment	(5,738,788)	-
As at 31 March	20,320,053	23,403,283

## Notes to the Financial Statements

**6. INVESTMENTS IN SUBSIDIARIES**

## 6.1 Non-Quoted

	2021		2020	
	Holding %	Rs.	Holding %	Rs.
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**

## 7.1 Non-Quoted

	2021		2020	
	Holding %	Rs.	Holding %	Rs.
Canned & Health Food Ltd.	47	1	47	1
Less - Provision for impairment		(1)		(1)
Total Carrying Value of Investments in Associates		-		-

**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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Between one and five years	148,285,772	192,787,310	142,417,731	177,800,327
Within one year	74,571,199	72,877,158	66,897,809	60,229,618
	222,856,970	265,664,468	209,315,540	238,029,945

**9. INVENTORIES**

	2021 Rs.	2020 Rs.
Raw Materials and Packing Material	264,150,645	259,376,342
Work in Progress	44,249,422	57,085,643
Finished Goods	827,444,282	781,092,574
Goods in Transit	131,613,014	139,878,535
	1,267,457,363	1,237,433,094
(-) Provision for Obsolete Stocks (Note 9.1)	(41,631,893)	(67,271,075)
	1,225,825,470	1,170,162,019

9.1 Provision for Obsolete Stocks	2021 Rs.	2020 Rs.
Balance as at 1st April	67,271,075	48,860,489
Provision made/ (Reversals) during the year	(25,639,182)	18,410,586
Balance as at 31st March	41,631,893	67,271,075

10. TRADE AND OTHER RECEIVABLES	2021 Rs.	2020 Rs.
Trade Receivables- Others	1,342,781,248	1,367,526,733
Trade Receivables- Related Parties (Note 10.1)	172,220,674	31,131,710
Less: Provision for Impairment (Note 10.3)	(53,418,718)	(41,324,104)
	1,461,583,204	1,357,334,339
Other Receivables - Others	123,102,738	182,292,363
Other Receivables - Related Parties (Note 10.2)	1,947,331	-
	1,586,633,273	1,539,626,702

10.1 Trade Debtors - Related Parties		2021 Rs.	2020 Rs.
	Relationship		
Hemas Capital Hospital (Private) Limited	Group Company	7,072,141	5,437,535
Hemas Hospitals (Private) Limited	Group Company	6,746,699	4,817,136
Hemas Pharmaceuticals (Pvt) Ltd	Group Company	57,821,050	-
Hemas Manufacturing (Pvt) Ltd	Parent Company	63,327,201	-
Healthnet International (Pvt) Ltd	Group Company	37,253,583	20,877,039
		172,220,674	31,131,710

10.2 Other Debtors - Related Parties		2021 Rs.	2020 Rs.
	Relationship		
Hemas Pharmaceuticals (Pvt) Ltd	Group Company	352,500	-
Hemas Manufacturing (Pvt) Ltd	Parent Company	1,594,831	-
		1,947,331	-

10.3 Reconciliation of Provision for Impairment of Trade Receivables	2021 Rs.	2020 Rs.
As at 1st April	41,324,104	7,148,099
Provision made during the year	12,094,614	34,176,005
As at 31st March	53,418,718	41,324,104

## Notes to the Financial Statements

10.4 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.
2021	1,461,583,204	813,736,723	323,498,873	117,072,840	55,824,391	47,189,169	104,261,208
2020	1,357,334,340	905,593,472	206,462,209	81,818,605	40,439,825	44,955,738	78,064,491

## 11. STATED CAPITAL

	2021		2020	
	Number	Rs.	Number	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

## 11.1 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.

## 12. OTHER COMPONENTS OF EQUITY

	2021 Rs.	2020 Rs.
<b>Summary</b>		
Revaluation Reserve (Note 12.1)	1,077,038,934	845,626,339
General Reserve (Note 12.2)	730,800,000	730,800,000
	1,807,838,934	1,576,426,339

## 12.1 Revaluation Reserve

On: Property, Plant and Equipment	2021 Rs.	2020 Rs.
As at 1 April	845,626,339	845,626,339
Revaluation surplus during the year	228,570,024	-
Deferred Tax effects on revaluation during the year	2,842,571	-
As at 31 March	1,077,038,934	845,626,339

## 12.2 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;

	2021 Rs.	2020 Rs.
As at 1 April	730,800,000	730,800,000
As at 31 March	730,800,000	730,800,000



**13. INTEREST BEARING LOANS AND BORROWINGS**

## 13.1

	2021 Rs.	2020 Rs.
<b>Current Interest Bearing Loans and Borrowings</b>		
Bank Loans (Note 13.1.1)	1,317,438,258	653,293,759
Bank Overdrafts (Note 17.2)	177,437,724	197,135,387
	1,494,875,982	850,429,146
<b>Non-current Interest Bearing Loans and Borrowings</b>		
Bank Loans (Note 13.1.1)	1,000,092,553	1,159,961,111
	1,000,092,553	1,159,961,111

## 13.1.1 Term Loans

	As at 01.04.2020 Rs.	Loans Obtained Rs.	Repayment Rs.	As at 31.03.2021 Rs.	Current Rs.	Non-current Rs.
Bank of Ceylon	-	388,000,000	(388,000,000)	-	-	-
Commercial Bank of Ceylon PLC	100,000,000	-	(100,000,000)	-	-	-
HSBC	94,444,444	-	(33,333,333)	61,111,111	33,333,333	27,777,778
Citi Bank	260,000,000	360,000,000	(620,000,000)	-	-	-
Nation Trust Bank	259,960,426	290,000,000	(549,960,426)	-	-	-
Standard Chartered Bank - Term Loan	1,098,850,000	197,569,700	-	1,296,419,700	324,104,925	972,314,775
Standard Chartered Bank	-	600,000,000	-	600,000,000	600,000,000	-
Hemas Holding PLC	-	200,000,000	-	200,000,000	200,000,000	-
Hemtours (Pvt)Ltd	-	160,000,000	-	160,000,000	160,000,000	-
	1,813,254,870	2,195,569,700	(1,691,293,759)	2,317,530,811	1,317,438,258	1,000,092,553

## 13.2 Terms and Conditions of Borrowings

Details	Nature of the Facility	Balance 2021 (Rs. '000)	Repayment Term	Security
Standard Chartered Bank	Term Loan Facility of LKR 1.6 Bn	1,296,420	Repayable in 16 installments starting from June 2021	Primary mortgage over movable and immovable plant and machinery for LKR 1.6 billion at lot No.1, Mahahenawatta, Pitipana, Homagama.
HSBC	Term Loan Facility of LKR 100 Mn	61,111	Repayable in 36 monthly installments starting from February 2020.	Not applicable

## Notes to the Financial Statements

14. RETIREMENT BENEFIT OBLIGATION	2021 Rs.	2020 Rs.
Gratuity		
As at 01 April	102,406,144	100,995,334
Current Service Cost	9,781,027	8,493,183
Interest Cost on Benefit Obligation	10,240,614	11,621,708
Actuarial Loss/(Gain) for the year	6,124,090	8,170,336
Payments During the Year	(9,152,775)	(26,665,826)
Liability Transferred Out	(3,101,860)	(208,591)
As at 31 March	116,297,240	102,406,144

14.1	Amounts charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income				
	As at 01 April Rs.	Current 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.
2021	102,406,144	9,781,028	10,240,614	20,021,642	(9,152,776)	9,401,723	(3,277,633)	6,124,090	119,399,100
Transfer due to Liability Transferred Out/ Divestments	(3,101,860)	-	-	-	-	-	-	-	(3,101,860)
	99,304,284	9,781,028	10,240,614	20,021,642	(9,152,776)	9,401,723	(3,277,633)	6,124,090	116,297,240
2020	100,786,743	8,493,183	11,621,708	20,114,891	(26,665,826)	5,368,561	2,801,775	8,170,336	102,406,144

14.2 Messrs. K.A. Pandith Consultants and Actuaries, carried out an actuarial valuation of the defined benefit plan on 31 March 2021. Appropriate compatible assumptions were used in determining the cost of retirement benefits

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

	2021	2020
Discount Rate	8%	10%
Salary Increment	8.5%	8.5%
Retirement Age	55- 60 years	55- 60 years

15. TRADE AND OTHER PAYABLES	2021 Rs.	2020 Rs.
Trade Payables - Local others	56,090,382	70,056,122
- Related Parties (Note 15.1)	2,357,821	2,357,821
Foreign Bills Payable	781,594,224	635,642,488
Non Trade Payables - Related Parties (Note 15.2)	31,008,512	29,863,858
Non Trade Creditors including Accrued Expenses	372,148,681	360,706,198
	1,243,199,620	1,098,626,487

**15.1 Trade Payables - Related Parties**

	Relationship	2021 Rs.	2020 Rs.
Hemas Pharmaceutical (Private) Limited	Group Company	2,357,821	2,357,821
		2,357,821	2,357,821

**15.2 Other Payables - Related Parties**

	Relationship	2021 Rs.	2020 Rs.
Hemas Holdings PLC	Ultimate Parent	5,787,394	9,315,567
Hemas Hospitals (Private) Limited	Group Company	3,334,362	-
Hemas Corporate Services (Private) Limited	Group Company	1,258,233	1,072,907
Hemas Manufacturing (Pvt) Ltd	Group Company	1,026,467	154,610
Hemas Capital Hospital (Pvt) Ltd	Group Company	631,640	60,270
Hemas C O E (Pvt) Ltd.	Group Company	188,869	283,304
Atlas Axillia Co (Private) Limited	Group Company	150,710	392,540
Hemtours (Pvt) Ltd	Group Company	1,383,671	-
Spectra Logistics (Private) Ltd	Group Company	17,247,166	18,584,660
		31,008,512	29,863,858

**16. DIVIDENDS PAYABLE**

	2021 Rs.	2020 Rs.
Unclaimed Dividends	10,216,176	10,216,176
	10,216,176	10,216,176

**17. CASH AND CASH EQUIVALENTS**

	2021 Rs.	2020 Rs.
<b>17.1 Favourable Cash and Cash Equivalents</b>		
Cash at Banks and in Hand	54,164,526	14,043,470
Investment in Short Term Deposits	120,123,288	89,914,125
	174,287,814	103,957,595
<b>17.2 Unfavourable Cash and Cash Equivalents</b>		
Bank Overdrafts	(177,437,724)	(197,135,387)
Total Cash and Cash Equivalents	(3,149,910)	(93,177,792)

**18. REVENUE**

	2021 Rs.	2020 Rs.
Goods transfers at a point in time	4,196,035,013	3,695,080,948
	4,196,035,013	3,695,080,948

## Notes to the Financial Statements

19. OTHER OPERATING INCOME AND GAINS	2021 Rs.	2020 Rs.
Profit on Disposal of Property, Plant and Equipment	1,174,438	32,379,388
Sundry Income	2,462,661	532,456
	3,637,099	32,911,844
<b>20. FINANCE COST AND INCOME</b>		
20.1 Finance Cost	2021 Rs.	2020 Rs.
Interest Expense on Overdrafts	12,323,158	13,845,497
Interest Expense on Interest Bearing Loans and Borrowings	48,028,061	17,887,197
Finance Charges on Lease Liabilities	5,108,734	5,370,007
	65,459,953	37,102,701
20.2 Finance Income	2021 Rs.	2020 Rs.
Income from Investments		
-Return on investment in Fixed Deposits	7,114,009	30,088,631
	7,114,009	30,088,631
<b>21. PROFIT BEFORE TAX</b>		
Stated after Charging /Crediting	2021 Rs.	2020 Rs.
Included in Cost of Sales		
Employees Benefits including the following		
- Defined Contribution Plan Costs - EPF and ETF	17,088,025	15,304,805
- Salary Related Expenses	132,886,819	124,968,320
Depreciation	25,917,848	23,463,171
<b>Included in Administrative Expenses</b>		
Employees Benefits including the following		
- Defined Benefit Plan Costs -Gratuity	20,021,641	20,114,890
- Defined Contribution Plan Costs - EPF and ETF	12,772,243	13,026,864
- Salary Related Expenses	145,098,569	119,407,788
Depreciation	53,383,383	56,478,160
Auditors' Remuneration		
- Audit Fees	2,417,885	2,324,827
- Non-Audit Fees	1,138,967	1,350,073
<b>Included in Selling and Distribution Costs</b>		
Transport Costs	14,498,895	21,075,554
Advertising and Sales of Promotion	232,888,474	238,457,131
Cost of Voluntary Retirement Scheme	-	105,141,650

**22. INCOME TAX EXPENSE**

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

Income Statement	2021 Rs.	2020 Rs.
<b>Current Income Tax</b>		
Current Income Tax charge (Note 22.1)	86,437,300	72,707,679
Under/(Over) Provision of current taxes in respect of prior years	(148,450)	(2,249,377)
	86,288,850	70,458,302
<b>Deferred Income Tax</b>		
Deferred Taxation Charge/(Reversal) (Note 22.2)	(4,246,433)	(12,787,740)
	82,042,417	57,670,561

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

	2021 Rs.	2020 Rs.
Accounting Profit before Tax	366,597,899	234,995,206
Non Deductible Expenses	251,691,257	293,183,960
Deductible Expenses	(229,046,526)	(268,464,178)
Interest Income	7,114,009	30,088,632
Taxable Profit	396,356,639	289,803,620
Concession Rate	18%	18%
Statutory Tax Rate	24%	24%
Statutory Tax Rate	-	28%
Income Tax on profits at Rate of 18%	26,560,536	4,760,067
Income Tax on profits at Rate of 24%	59,876,764	10,163,104
Income Tax on profits at Rate of 28%	-	57,784,508
	86,437,300	72,707,679

**22.2 Deferred Income Tax**

22.2.1

	Statement of Financial Position		Statement of Profit or Loss	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Deferred Tax Liability</b>				
Capital Allowances for Tax Purposes	36,095,293	44,777,353	(8,682,060)	14,680,409
Revaluation of Lands and Buildings	245,087,983	247,930,554	-	-
	281,183,276	292,707,907	(8,682,060)	14,680,409
<b>Deferred Tax Assets</b>				
Defined Benefit Plans	25,585,393	28,278,694	4,435,627	(1,892,669)
	25,585,393	28,278,694		
Deferred Income Tax Income/(Expense)			(4,246,433)	12,787,740

## Notes to the Financial Statements

	Other Comprehensive Income	
	2021 Rs.	2020 Rs.
Defined Benefit Plans	(1,347,300)	2,287,694
Revaluation	(2,842,571)	-
	(4,189,870)	2,287,694
Net Deferred Tax Liability	255,597,883	264,429,213

**23. EARNINGS PER SHARE**

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

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

	2021 Rs.	2020 Rs.
<b>Amount Used as the Numerator:</b>		
Profit attributable to Equity Holders of the Parent	284,555,482	177,324,644
<b>Number of Ordinary Shares Used as Denominator:</b>	<b>2021 Number</b>	<b>2020 Number</b>
Weighted Average Number of Ordinary Shares in issue applicable to Basic Earnings Per Share	7,550,780	7,550,780

**24. COMMITMENTS AND CONTINGENT LIABILITIES****24.1 Capital Expenditure Commitments**

24.1.1 Subsequent to Board approval, the Company is in the process of constructing a plant focusing on research and manufacturing within the Sri Lanka Institute of Nanotechnology (SLINTEC) Nano Technology Park in Pitipana, Homagama. Accordingly, the following contracts and commitments have been entered into this regard:

24.1.2 Lease Agreement with SLINTEC - The Company has entered into a lease agreement with SLINTEC to lease the premises in Homagama for a period of 27 years.

**24.2 Contingent Liabilities**

24.2.1 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)

24.2.2 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 2021 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.

**25. ASSETS PLEDGED**

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

Nature of Assets	Nature of Liability	Carrying Amount Pledged	
		2021 Rs.	2020 Rs.
Movable and Immovable plant and machinery	Primary Mortgage for term loan facility	1,600.0 Mn	1,600.0 Mn

**26. EVENTS OCCURRING AFTER THE REPORTING DATE**

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

**27. RELATED PARTY DISCLOSURES**

Details of significant related party disclosures are as follows:

**27.1 Transactions with the related entities**

Nature of Transaction	Hemas Holdings PLC Ultimate Parent		Other Related Parties		Total	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>As at 1 April</b>	(9,315,566)	(22,334,403)	4,074,973	(2,660,128)	(5,240,593)	(24,994,531)
Sale of Goods and Services Provided		-	390,533,105	101,827,711	390,533,105	101,827,711
Purchase of Goods and Services Obtained		-	(78,788,438)	(46,027,993)	(78,788,438)	(46,027,993)
Expenses Incurred on Behalf of Others	(38,245,727)	(41,634,985)	14,364,588	-	(23,881,139)	(41,634,985)
Settlement of Funds	51,181,872	54,653,822	(181,474,193)	(49,212,474)	(130,292,321)	5,441,348
Non Operational Transactions		-	4,200,443	147,857	4,200,443	147,857
Borrowing of funds	(200,000,000)	-	(160,000,000)	-	(360,000,000)	-
Finance cost charged	(9,407,972)	-	(7,246,903)	-	(16,654,875)	-
<b>As at 31 March</b>	<b>(205,787,393)</b>	<b>(9,315,566)</b>	<b>(14,336,425)</b>	<b>4,074,973</b>	<b>(220,123,818)</b>	<b>(5,240,593)</b>

**27.2 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	2021 Rs.	2020 Rs.
<b>Company</b>		
Short-term employee benefits	12,424,967	19,387,561
Retirement Benefits	1,013,020	1,538,290
	13,437,987	20,925,851

## Notes to the Financial Statements

### 28. 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 Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with fixed interest rates.

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 because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the import of raw materials, finished goods and packing materials.

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

	Change in US Dollar Rate	
	1% increase	1% decrease
	Rs.	Rs.
Effect on Profit of the Company	(7,705,908)	7,705,908

#### Equity Price Risk

The Company's quoted and unquoted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.



**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.

**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 Company's financial liabilities based on contractual undiscounted payments.

**28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)**

Company	On Demand	Less than 1 year	Above 1 year	Total
Bank Overdraft	177,437,724	-	-	177,437,724
Bank Loans	-	1,317,438,258	1,000,092,553	3,015,527,162
Trade and Other Liabilities	-	1,243,199,620	-	1,243,199,620
Lease Liabilities	-	6,148,801	37,028,198	43,176,999
	177,437,724	2,566,786,679	1,037,120,751	4,479,341,505

**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 2021 and 31 March 2020.

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Eighty Second (82nd) Annual General Meeting (“AGM”) of Morison Limited will be held at 11.00a.m. on Thursday, 30th September 2021, 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 31 March 2021, together with the Reports of the Directors and Auditors thereon.
2. To re-elect as Director, Mr. Ranjan Chakravarti who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
3. To re-elect as Director, Ms. B. Arundathi I. Rajakarier who retires by rotation in terms of Article 84 of the Articles of Association of the Company.
4. To re-appoint as Director, Dr. Sanjit Singh Lamba in terms of Article 72 of the Articles of Association of the Company.
5. To re-appoint as Director, Mr. A. M. Dinesh K. Athapaththu in terms of Article 72 of the Articles of Association of the Company.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors for the ensuing year and to authorise the Directors to determine their remuneration.
7. 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

20th August 2021

### 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 peshalaf@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 peshalaf@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 peshalaf@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.





# FORM OF REGISTRATION OF SHAREHOLDER INFORMATION – MORISON LIMITED

MORISON LIMITED - (PQ 77 PB)  
82<sup>ND</sup> 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

### 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 peshalaf@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. Dinesh Athpaththu                             of Kadawatha or failing him
- Ms. B. Arundathi I. Rajakarier                   of Colombo or failing her
- Mr. Ranjan Chakravarti                           of Colombo or failing him
- Ms. Kasturi A.C. Wilson                           of Colombo or failing her
- Dr. Sanjit Singh Lamba                           of Colombo 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 Thursday, the 30th September, 2021 at 11.00 a.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 [peshalaf@hemas.com](mailto:peshalaf@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

## New 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 (MD)

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 (Pvt) Ltd

'Hemas House' No. 75 Braybrooke Place,  
Colombo 2

Tel; 0114 731 731 (Hunting)

Fax: 0114731777

## Registrars

SSP Corporate Services (Pvt) Ltd

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



'Hemas House' No. 75, Braybrooke Place, Colombo 2  
Tel: 0114 731 731 Fax: 0114 731 777 [www.morison.lk](http://www.morison.lk)

