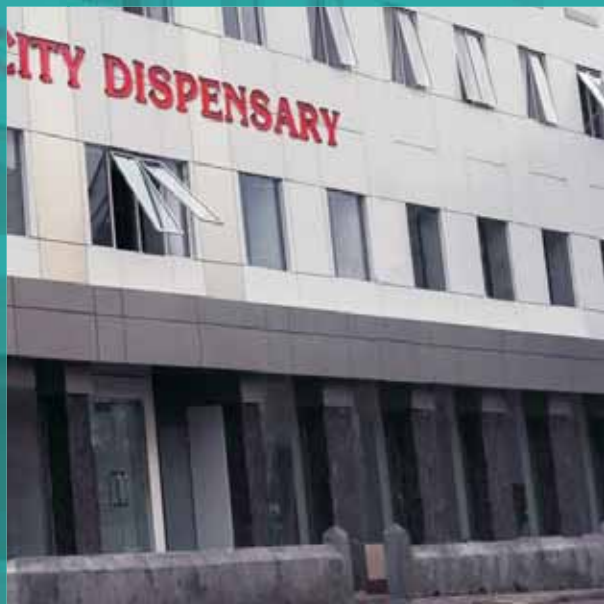




THE COLOMBO PHARMACY COMPANY PLC
ANNUAL REPORT
2011/12



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VISION

To be the most dependable pharmacy that provides the most professional and caring service at all times in Sri Lanka.

MISSION

To provide an excellent and valuable service to the customers and enhance the shareholders' value.

The origins of The Colombo Pharmacy Company PLC goes back to over a century to its more humble beginnings in 1876 when it was first established as a chemist's store named "Norris Canal Stores".

Having been renamed as the City Dispensary at the dawn of the 20th century, the establishment was later managed as part of "The Pharmacy Syndicate", run by a group of distinguished personalities, among whom there were three eminent doctors.

Changes took place as the syndicate was converted to a limited liability company in April 1913. Under its new name "The Colombo Pharmacy Limited", its first Directors were appointed. The distinguished appointees were, Messers Henry Lawson De Mel, P. G. Cooke, Arthur E. Ephraums, W. A. S. De Vos, J. M. Alles, Paul E. M. De Costa and Dr. David Rockwood.

The Company now boasts of close to a century of service, and is today the oldest Pharmaceutical company in Sri Lanka. It is also one of oldest companies to be quoted in the Colombo Stock Exchange.

In the 1940s, new acquisitions of land were made at prominent locations in the heart of Colombo. As a consequence, The City Dispensary was located at Union Place and IC Drugs was established at Bambalapitiya. The two pharmacies still stand as monuments to their founders.

Today, the 'Colombo Pharmacy' brand is well recognized by Sri Lankan citizens and the premises of this is one of the most valuable assets belonging to the company.

With the acquisition of a majority holding of The Colombo Pharmacy Company PLC by Environmental Resources Investments PLC during 2010, the Company has undergone significant changes that are planned to drive it towards achieving strong growth prospects in the future. New ERP systems have been installed and better internal control systems have been established to streamline its internal processes. The Union Place building has been improved through a renovation project that will significantly increase its value, and bring additional income to The Colombo Pharmacy Company PLC.

Today, the Company continues to follow its familiar distinguished path ably directed by Mr. Lalith Heengama, Mr. Heen Banda Dissayanayke, Mr. Gamini Munsasinghe, Mr. Gregory Scott Newsome and Dr. Kosala Heengama.



Dear Shareholders,

On behalf of the Board of Directors of The Colombo Pharmacy Company PLC I am pleased to present to you - our valued Shareholders - the Annual Report of the Board of Directors and the Audited Financial Statements for the Financial Year ended 31st March 2012.

The history of the Company goes back to the year 1876. However' it was incorporated as a Limited Liability Company and named The Colombo Pharmacy on the 4th of April 1913. The coming year will be a memorable milestone as the company reaches 100 years of its existence.

In order to celebrate the centenary properly, the Board of Directors decided to effect a massive refurbishment program in order to modernize the two buildings which house the pharmacies. The modernization program at Union Place premises has cost the Company approximately Rs. 65 Mn up to 31st March 2012 and the total investment is expected to be recouped in 3 years period. Plans are also being drawn to modernize and to develop the premises at Bambalapitiya. It is observed that the fair value gain on valuation of investment property at Union Place is Rs. 91,427,000 which is a 14% increase compared to the previous year.

The gross profit of the Company for the financial year is Rs. 16,682,720. The reduction of the Gross Profits in comparison with the previous year is due to decrease in sales and adhering to directions issued by the Government with regard to drug prices.

However, the Board of Directors is optimistic about the future growth of The Colombo Pharmacy with the modernization expansion and investment programs undertaken. Action would be taken to reach a wider clientele with the expansions.

In conclusion, I wish to place on record the valuable guidance and direction provided by the members of the Board and also the cooperation extended by the staff at both the pharmacies. Also, I wish to pay my gratitude to our valued Shareholders and Customers for the cooperation extended.



Lalith Heengama

**Chairman
The Colombo Pharmacy Company PLC**

26th July 2012

Mr. Lalith Heengama*Chairman*

Mr. Lalith Heengama has been a senior public official of the Sri Lanka Administrative Service (SLAS) since 1965. During his distinguished career spanning over four decades, he has held many senior management positions in the Government of Sri Lanka and also in the private sector. Prior to his retirement from public service, he served as State Secretary to the Ministry of Trade and Commerce. He has also served as Director General of Sri Lanka Customs, Chairman of Development Lotteries Board, Member of the Presidential Tariff Commission and on the Boards of Directors of SLPA, HKARTI, CDA, Laksala Craft Council and SLIATE. He has also authored many books and translations. Mr. Heengama is a Graduate from the University of Peradeniya (Economics and Geography) and later acquired a Diploma in Intellectual Property Rights (WIPO). He is a Fellow of the Economic Development Institute of World Bank and the Institute of Management of Sri Lanka. Mr. Lalith Heengama is also the Chairman of Ceylon Leather Products PLC and Environmental Resources Investment PLC.

Mr. Heen Banda Dissanayake*Independent / Non-Executive Director*

Mr. H.B. Dissanayake is a former Governor of the Central Bank of Sri Lanka. He entered the Ceylon Civil Service in 1962. He has held the positions of General Manager of the Industrial Development Board, Government Agent Kurunegala, Director General of Sri Lanka Customs and Deputy Secretary to the Treasury in the Ministry of Finance. He was also a Director of the Asia Development Bank and held the position of Chairman of the National Development Trust Fund. The top posts he has held in many reputed institutions have enriched him with a wealth of managerial experience. Mr. Dissanayake is a Graduate from the University of Peradeniya. Mr. Dissanayake also serves as a Director of Ceylon Leather Products PLC and Environmental Resources Investment PLC.

Mr. Gamini Sarath Munasinghe*Independent / Non-Executive Director*

Mr. Gamini Sarath Munasinghe has been a career diplomat. During his distinguished career, he has served as Sri Lanka's Deputy High Commissioner in London (1991-97), High Commissioner in South Africa (1998-02) and High Commissioner of Bangladesh (2003-06). When serving in Sri Lanka, at the Ministry of Foreign Affairs, he has held the posts of Director of Economic Affairs, Director General of South Asia and SAARC, and Additional Secretary before his retirement from the public service. He Graduated from the University of Ceylon (Peradeniya) obtaining a Bachelor of Arts Degree. He also holds a Master's Degree in Buddhist Studies awarded by the Postgraduate Institute of Pali and Buddhist Studies of the University of Kelaniya. Mr. Gamini S Munasinghe is a Director of Ceylon Leather Products PLC and Environmental Resources Investment PLC as well.

Mr. Gregory Scott Newsome*Executive Director*

Mr. Gregory Scott Newsome has been a leader of many companies. Mr. Scott Newsome is an electronic trading professional with over a decade of experience. He is a multi-exchange consultant for US, Europe and South Asian Stock Exchanges and a skilled presenter of technical material in seminars and training classes. Mr. Scott holds a BBA Degree in Finance with a focus on Derivative Securities and Investments from James Madison University, Harrisonburg, Virginia, USA. He has authored 'SoesBook', a technical textbook and reference guide for trading in the NASDAQ Index. His vision is to evolve blueprints for the future growth for companies as well as national stock exchanges. Mr. Newsome serves as a Director of Ceylon Leather Products PLC, Environmental Resources Investment PLC and Dankotuwa Porcelain PLC as well.

Dr. Kosala Heengama*Executive Director*

Dr. Kosala Heengama brings in more than a decade of specialized ICT, management experience in leading and expanding large global IT service organizations. He has also been instrumental in implementation of low cost simplified enterprise systems and technologies which works seamlessly for efficient information distribution in multi-layer platforms. Earlier, he was attached to the Ministry of Finance as an ICT Chief Advisor for Government of Sri Lanka. Dr. Heengama, who works on improved efficiencies and process in many Industries, ventured into financial services and strategic investments in ERI, and is a Member of Institute of Electronic and Electrical Engineers (MIEEE). Dr. Kosala Heengama serves as a Director of Ceylon Leather Products PLC, Environmental Resources Investment PLC and Dankotuwa Porcelain PLC as well.

Mr. Rajan Asirwatham*Independent / Non-Executive Director*

Mr Rajan Asirwatham was the Senior Partner and Country Head of KPMG Ford Rhodes Thornton & Company from 2001 to 2008. Further he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism. As at present, Mr Asirwatham, a fellow member of the Institute of Chartered Accountants of Sri Lanka, is the Chairman of the Financial Services Stability Committee of the Central Bank of Sri Lanka. He was also a member of the Presidential Commission on Taxation, appointed by the Excellency of the President, a member of the council of the University of Colombo. He also serves on the Boards of Aitken Spence PLC, Aitken Spence Hotels PLC, Brown & Company PLC, Browns Beach Hotels PLC, Ceylon Agro Industries, Ceylon Tea Services PLC, CIC Holdings PLC, Confifi Hotel Holding PLC, Dial Tex Industries Limited, Eden Hotel Lanka PLC, Lanka Orix Financial Company Limited, Lanka Orix Leasing Company PLC, Mercantile Merchant Bank Limited, Rajawella Holdings (Private) Limited, Renuka Hotels (Private) Limited, Riverina Hotels PLC, Royal Ceramics Lanka PLC, Vallibel One Limited & Yaal Hotels (Private) Limited.

Corporate Governance is the system by which companies are directed and managed, while influencing the manner in which the objectives of the Company are formulated, adopted, communicated, understood and achieved.

The Board of Directors is primarily responsible for the good governance of the Company and maintaining a balance between the achievement of corporate objectives and the adherence to corporate behavior within the wide expectations of society and its accountability to shareholders.

The Board of Directors of The Colombo Pharmacy Company PLC is committed to upholding the highest standards of integrity and transparency in its governance of the Company. It is guided by the Code of Best Practice of the Institute of Chartered Accountants of Sri Lanka, the requirements of the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange (CSE).

The compliance of The Colombo Pharmacy Company PLC to the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka is as follows.

Audit Committee

The Board has appointed an Audit Committee consisting three Non-Executive Directors. Two of them are Independent Directors.

Mr. H. B. Dissanayake	- Chairman / Non Executive / Independent Director
Mr. Lalith Heengama	- Non Executive / Non Independent Director
Mr. G.S Munasinghe	- Non Executive/ Independent Director

Remuneration Committee

The Board has appointed a Remuneration Committee consisting of three Non-Executive Directors.

The Remuneration Committee consists of,

Mr. G.S Munasinghe	- Chairman / Non Executive / Independent Director
Mr. Lalith Heengama	- Non Executive Director/Non Independent Director
Mr. H. B Dissanayake	- Non Executive/ Independent Director

Board Meetings are scheduled to consider, among other matters, the performance and Financial Statements for the period and to approve routine capital expenditure. Special Board Meetings are held as and when required to discuss urgent matters.

Attendance at the Board and Sub-committee meetings is set out below

Name of the Director	Directorship Status	Main Board	Audit Committee
Total number of meetings held		4	2
Mr. H.B. Dissanayake	Independent / Non Executive	4/4	2/2
Mr. Lalith Heengama	Non Executive / Non Independent Director	4/4	2/2
Dr. Kosala Heengama	Executive Directors	4/4	-
Mr. Gregory Scott Newsome	Executive Directors	4/4	-
Mr. Gamini Sarath Munasinghe	Non Executive/ Independent Director	2/4	1/2

The Board of Directors has taken all reasonable steps to ensure that all Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the requirements of the Companies Act No.07 of 2007 and other applicable authorities, and rules of the Colombo Stock Exchange have been complied with to the best of their knowledge.



COMPLIANCE

Statements of Compliance of the Principles under the Listing Rules of Colombo Stock Exchange and the Code of Best Practice of Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka are as follows. The Company's level of compliance with the CSE's New Listing Rules is given below.

Corporate Governance Principles	CSE Rule Reference	Compliance Status	Company's Level of Compliance
Non- Executive Directors	7.10.1	Compliant	Three out of Five Directors are Non-Executives.
Independent Directors	7.10.2 (a) 7.10.2 (b)	Compliant	Two out of three Non Executive Directors are independent. Each Non-Executive Director has submitted a declaration of his independence or non-independence as required under the Listing Rules of the CSE.
Disclosures relating to Directors	7.10.3	Compliant	Given under the heading of "Board of Directors" of this Report and also refer to pages 07 - 08.
Remuneration Committee	7.10.5 (a) 7.10.5 (c)	Compliant	The Committee comprises of three Non - Executive Directors, out of which two are independent. The members of Committee are under the direct supervision of the Remuneration committee of the Parent Company which comprises of three (03) Non - Executive Directors, majority of whom are Independent. There were no remuneration paid for directors during the financial year.
Audit Committee	7.10.6 (a) 7.10.6 (c)	Compliant	The Audit Committee comprises of three Non - Executive Directors, majority of whom are Independent. The higher management personal attended such Audit Committee Meetings.

The Company's level of compliance with the Code of Best Practices on Corporate Governance is given below:

SECTION 1: THE COMPANY

A. Directors
A.1 The Board

Code Reference	Corporate Governance Principles	Compliance Status	Company's Compliance with the Code
A.1.1	The Board should meet regularly. Board meetings should be held at least once in every quarter of a financial year.	Compliant	It is the Company's practice to hold Board Meeting regularly. The Board has met 4 times during the financial year under review.
A.1.2	The Board should be responsible for matters including <ul style="list-style-type: none"> ▪ Ensuring compliance with laws, regulations and ethical standards. 	Compliant	The Board has always been keen to comply with laws and regulations imposed by the regulatory authorities and gear the Company in strong ethical standards.
	<ul style="list-style-type: none"> ▪ Ensuring all stakeholder interests are considered in corporate decisions. 	Compliant	It is with that prime objective in mind the board sets objectives and strategies to ensure that all stake holder interests are covered in implementation of business decisions.
	<ul style="list-style-type: none"> ▪ Ensuring that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations. 	Compliant	The Company always steps on the path which follows the accounting standards and other financial regulations set by the ICASL and SEC.
A.1.3	The Board collectively, and Directors individually, must act in accordance with the laws of the Country, as applicable to the business enterprise. There should be a procedure agreed to by the Board of Directors, to obtain independent professional advice where necessary, at the Company's expense.	Compliant	Whenever required the Board takes the advice of independent professionals to ensure the most appropriate plans are implemented in line with the governing laws.
A.1.4	All Directors should have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board	Compliant	The Board has the uninterrupted access to the Company Secretary to seek advice whenever required.

Code Reference	Corporate Governance Principles	Compliance Status	Company's Compliance with the Code
	procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter for the Board as a whole.		
A.1.5	All Directors should bring independent judgment to bear on issues of strategy, resources (including key appointments) and standards of business conduct.	Compliant	Each and every Director severally and independently expresses his judgment relating to issues of strategy, performance, resources and standard of business conduct.

A.5 Board Balance

It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking.

Code Reference	Corporate Governance Principles	Compliance Status	Company's Compliance with the Code
A.5.1	The Board should include at least two Non-Executive Directors or such number of Non-Executive Directors equivalent to one third of total number of directors, which-ever is higher.	Compliant	Three out of five Directors are Non - Executive.
A.5.4	Each Non-Executive Director should submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria set out in the Specimen in Schedule H of the code of Best practice on corporate Governance.	Compliant	Each Non-Executive Director has submitted the requisite Declaration which is used for determining the independence and non - independence of the Non - Executive Directors.
A.5.8	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.	Compliant	The Chairman holds meetings only with Non - Executive Directors as and when necessary in order to discuss matters pertaining to the functions of the Company.

C. Relations with Shareholders

C.1 Constructive Use of the Annual General Meeting (AGM) and Conduct of General Meetings

Boards should use the AGM to communicate with shareholders and should encourage their participation.

Code Reference	Corporate Governance Principles	Compliance Status	Company's Compliance with the Code
C.1.1	Companies should count all proxy votes and should indicate the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hands, except where a poll is called.	Compliant	A Form of Proxy is attached with the Annual Report, when they are sent to the share holders. Counting of proxy votes are dealt with in accordance to this code.
C.1.2	Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts.	Compliant	The Company proposes a separate resolution at the AGM on each substantial separate issue, including for the adoption of the Financial Statements.
C.1.3	The Chairman of the Board should arrange for the Chairman of the Audit, Remuneration and Nomination Committees to be available to answer questions at the AGM if so requested by the Chairman.	Compliant	The Chairmen of all the Committees are usually present at AGMs.
C.1.4	Companies should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting.	Compliant	The Notice of AGM and related documents are usually dispatched to the shareholders fifteen (15) working days prior to the AGM, as per section 135 of the Companies Act No. 07 of 2007.
C.1.5	Companies should circulate with every Notice of General Meeting, a summary of the procedures governing voting at General Meetings.	Compliant	The Notice of Meeting outlines the procedure relating to voting at the AGM. The notice of procedure governing voting at General Meetings is usually circulated with the notice.

D. Accountability and Audit

D.1 Financial Reporting

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

Code Reference	Corporate Governance Principles	Compliance Status	Company's Compliance with the Code
D.1.1	The Board's responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements.	Compliant	<p>In preparing of annual and quarterly Financial Statements, Company complies with the requirements of the;</p> <ul style="list-style-type: none"> ▪ Companies Act No. 07 of 2007 ▪ Sri Lanka Accounting Standards, and ▪ Listing Rules of the Colombo Stock Exchange. <p>The annual and interim Financial Statements are published within the time periods prescribed by the Listing Rules of the Colombo Stock Exchange.</p>
D.1.3	The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of Financial Statements, together with a statement by the Auditors about their reporting responsibilities.	Compliant	<p>The statement of the Directors' Responsibilities for Financial Statement is stated under the Financial Statements on page 23.</p> <p>The Auditors' Responsibilities regarding the Annual Financial Statements are outlined in the Auditors Report on page 27.</p>

D.3 Audit Committee

The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.

Code Reference	Corporate Governance Principles	Compliance Status	Company's Compliance with the Code
D.3.1	The Audit Committee should be comprised of a minimum of two independent Non-Executive Directors (in instances where a company has only two directors on its Board) or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board.	Compliant	The present Committee consists of three (03) Non- Executive Directors, majority of whom are Independent.
D.3.2	The duties of the Audit Committee should include keeping under review the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Where the Auditors also supply a substantial volume of non-audit services to the Company, the Committee should keep the nature and extent of such services under review, seeking to balance Objectivity, independence and value for money.	Compliant	The Audit Committee involves in assisting the Board in the effective discharge of its responsibilities on financial reporting, risk management and internal control. It assists the Board in monitoring compliance with applicable laws and other regulatory requirements. The external Auditors were not involved in any non audit services during the year under consideration.

SECTION 2: SHAREHOLDERS

E.1 & F.1 Shareholder Voting

Code Reference	Corporate Governance Principles	Compliance Status	Company's Compliance with the Code
E.1 & F.1	Institutional and individual shareholders should be encouraged to participate in General Meetings of company and exercise their voting rights.	Compliant	Participation of the shareholders in the General Meetings and casting their votes are encouraged. The AGM provides the shareholders the opportunity to express their views.

Compliance Report

The Directors confirm that to the best of their knowledge all taxes and duties payable by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues payable as at the Balance Sheet date have been paid or provided for in the accounts.

**By order of the Board of
The Colombo Pharmacy Company PLC**

(Sgd)

**Nexia Corporate Consultants (Private) Limited
Secretaries**

**Colombo
Date : 26th July 2012**

The Board of Directors of The Colombo Pharmacy Company PLC takes pleasure in presenting its report combined with the Audited Financial Statements for the year ended 31st March 2012.

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007 and the Colombo Stock Exchange's listing rules and are guided by recommended best practices.

PRINCIPAL ACTIVITY

The principal activity of the Company is carrying on the business as dispensing chemists and retail dealers in Pharmaceuticals.

FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 28 to 54.

AUDITORS' REPORT

The auditors' report on the Financial Statements is given on page 27.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 34 to 40. There were no changes to the accounting policies adopted during the year. Implementation of Sri Lanka financial reporting standards (SLFRS) are given in note no: 2.5

THE BOARD OF DIRECTORS

The composition of the Board is highlighted below:

NON-EXECUTIVE DIRECTORS

Mr. Lalith Heengama
Mr. Gamini S. Munasinghe
Mr. H.B. Dissanayake

EXECUTIVE DIRECTORS

Mr. G. Scott Newsome
Dr. Kosala Heengama

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gamini S. Munasinghe
Mr. H.B. Dissanayake

Mr. Lalith Heengama will vacate office as per the requirements of Section 210 of the Companies Act No.7 of 2007 and a resolution will be tabled at the forthcoming Annual General Meeting to obtain the sanction of the shareholders to reappoint him as a Director of the Board as per Section 211 of the Companies Act.

The Board unanimously recommends his appointment to the Board.

INTEREST REGISTER AND DIRECTORS' INTERESTS IN CONTRACTS

Directors' interests in contracts or proposed contracts disclosed under Note 23.2 to the Financial Statements have been disclosed at Meetings of the Directors and recorded in the Interest Register as per Section 192 of Companies Act No.07 of 2007.

DIRECTORS' REMUNERATION AND OTHER BENEFITS

The Directors' remuneration is disclosed in Note 18 to the Financial Statements.

DIRECTORS' INTERESTS IN SHARES

None of the Directors are holding shares of the Company in their personal capacity. Mr. Lalith Heengama, Dr. Kosala Heengama and Mr.G.S. Newsome are Directors of Environmental Resources Investment PLC which is the major shareholder of the Company holding 845,159 shares

CORPORATE GOVERNANCE

The Board is committed to maintain high standards of corporate governance, the process by which the Company is directed and managed. The corporate governance report is given on pages 09 to 18 of the Annual Report.

RISK AND INTERNAL CONTROL

The Directors accept the ultimate responsibility for the system of internal controls of the Company. The systems are geared to provide reasonable assurance that the assets of the Company are safeguarded and that all transactions conducted as relevant, properly authorized and duly recorded. Further details of the internal control systems in operation are also contained in the Statement of Directors' Responsibilities on page 23 of the Annual Report.

TAXATION

The tax liability of the Company has been computed according to the provisions of the Inland Revenue Act No.10 of 2006 and amendments thereto.

The method of computation of taxes of the Company has been shown in the Note 19 of the Financial Statements.

CAPITAL EXPENDITURE

The total capital expenditure up to 31st march 2012 amounted to Rs. 61 Mn.

PROPERTY, PLANT & EQUIPMENT

Details of property, plant and equipment are given in Note 04 to the Financial Statements.

STATED CAPITAL

The stated capital of the Company as at 31st March 2012 was Rs. 11,137,505/- represented by 1,272,857 fully paid Ordinary Shares.

SHAREHOLDINGS

There were 1839 registered Ordinary Shareholders as at 31st March 2012.

The distribution of shareholdings is shown on page 55 of the Annual Report.

SHARE INFORMATION

Information relating to earnings, dividends, net assets and market value per share is available under investor Information on page 60 of the Annual Report along with information on share trading.

SUBSTANTIAL SHAREHOLDINGS

The twenty major shareholders as at 31st March 2012 are given on page 56 of the Annual Report. Public share holding as at 31st March 2012-33.6 % (2011-33.6 %).

STATUTORY PAYMENTS

The Directors confirm, to the best of their knowledge and belief that they are satisfied that all statutory obligations due to the Government and to the employees have been either duly paid or adequately provided for in the Financial Statements.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the accounts except those disclosed in Note 22 to the Financial Statements.

GOING CONCERN

The Board of Directors is satisfied that the Company will have adequate resources to continue its operations without any disruption in the foreseeable future. Accordingly, the Directors consider that it is appropriate to prepare Financial Statements on the going concern basis.

AUDITORS

The Financial Statements of the Company for the year have been audited by Messrs Ernst & Young, Chartered Accountants, who are recommended for re-appointment.

A sum of Rs. 285,000/- was provided to them as audit fee during the year under review.

A resolution will be passed at the forthcoming Annual General Meeting for the re-appointment of Messrs Ernst & Young as Auditors and authorizing the Directors to fix their remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Crystal Room upper, Taj Samudra on 19th September at 1.00 pm. The notice of the Annual General Meeting appears on page 61.

For and on behalf of the Board of The Colombo Pharmacy Company PLC.



Mr. Lalith Heengama
Chairman



Mr. Gregory Scott Newsome
Director

Statement of Directors' Responsibility in Relation to Financial Statements

The Directors are responsible, under Sections 150 (l), 151, 152(1) and 153 of the Companies Act No 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company at the end of the financial year, and the profit & loss for the financial year.

The Directors are also responsible, under Section 148, to ensure proper accounting records are maintained to enable preparation of these Financial Statements.

The Directors accept responsibility for the Financial Statements presented, and confirm that appropriate accounting policies have been applied consistently, and reasonable and prudent judgments made so that transactions are properly reflected in the Financial Statements. They also confirm that the Financial Statements have been prepared and presented in compliance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act and the listing rules of the Colombo Stock Exchange.

The Directors confirm that reasonable steps have been taken to safeguard assets and put in place appropriate systems of internal control to prevent and detect fraud and other irregularities.

The Directors confirm that the external auditors Messrs Ernst & Young, Chartered Accountants, appointed in accordance with the resolution passed at the previous Annual General Meeting have been provided with every opportunity to undertake the verifications and inspections they considered necessary in the course of their audit.

They also confirm that to the best of their knowledge all statutory payments relating to employees and the Government due at the Balance Sheet date have been paid or where relevant provided for.

The Directors believe, after reviewing the financial position and the cash flow of the Company, that the Company has adequate resources to continue in operation for the foreseeable future and therefore, these Financial Statements are prepared on the "going concern" basis.

BY ORDER OF THE BOARD

(Sgd)

Nexia Corporate Consultants (Private) limited
Secretaries

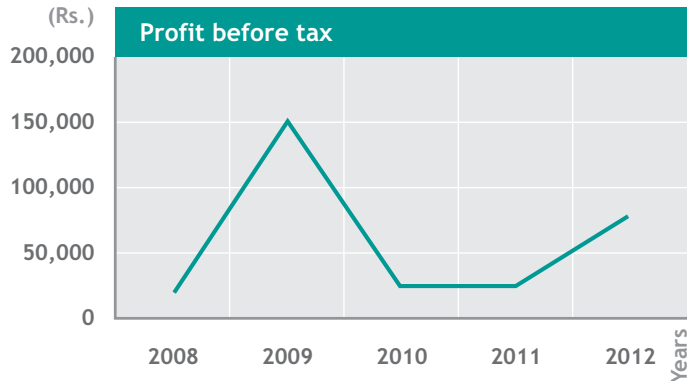


Prior
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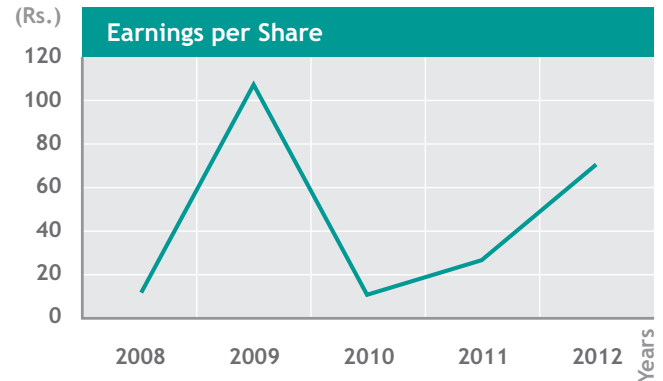
After
Prior



Graphical presentations of the prominent financial indicators, highlighting the historical performance for the past five years are shown below.



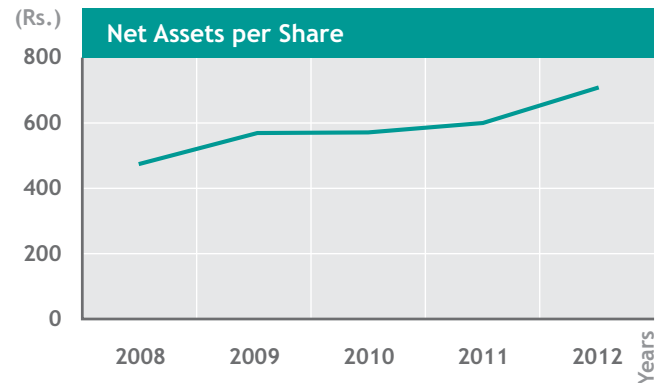
Profit before tax has increased due to the increase in the fair value of investment property in 2012.



Earnings per Share has increased due to the fair value gain recognized from investment property valuation in 2012.



Profit after tax has increased due to the reversal of deferred tax liability recognized in the Income Statement.



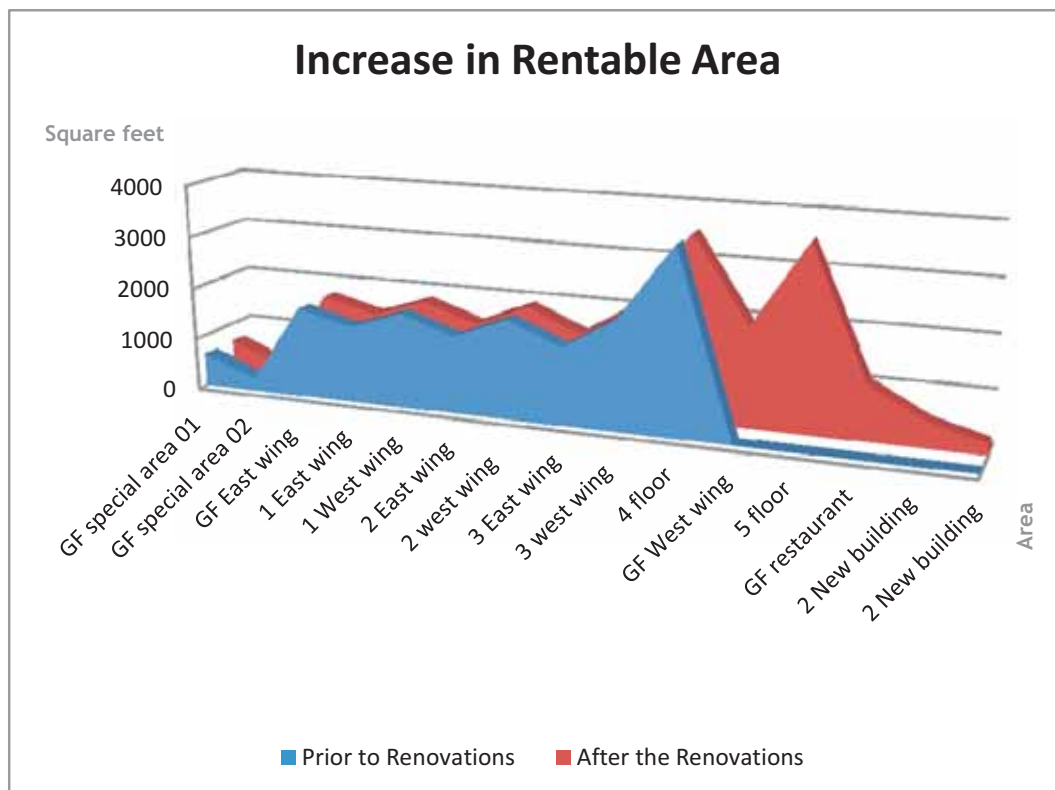
Net Assets per Share has increased due to the revaluation gain on property plant and equipments and investment property.

With a view to enhance the profitability generated from renting out the building of the Company, The Colombo Pharmacy Company PLC embarked on a renovation plan which is expected to quadruple the rental income compared to previous levels.

The refurbishment looked in to option of making the provisions for the Company's long term strategies as well and carried out the renovations with that in mind and hence the total cost of the investment approximates at Rs. 128 Mn, the payback of which is 3 years.

The Company is intending to sign agreements with top international clients as tenants to the building which will ultimately enhance the commercial value of the property.

While only 16,300 square feet was rented out previously, due to the new refurbishment program 23,430 square feet is available for this purpose. Both the increase in floor area and the modernization of the buildings, would yield significantly higher returns for the Company in future.



**Chartered Accountants**

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF THE COLOMBO PHARMACY COMPANY PLC**

Report on the Financial Statements

We have audited the accompanying financial statements of The Colombo Pharmacy Company PLC ("Company"), which comprise the Balance Sheet as at 31 March 2012, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Company as of 31 March 2011 was audited by another auditor whose report dated 19 July 2011 expressed an unqualified opinion.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements


In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

26 July 2012
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A de Silva ACA W R H Fernando FCA FCMA
W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulanaamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

ASSETS	Note	2012 Rs.	2011 Rs.
Non-Current Assets			
Property, Plant & Equipment	4	125,467,867	108,509,564
Investment Property	5	767,850,000	616,344,000
Intangible Assets	6	5,350,000	5,950,000
		<u>898,667,867</u>	<u>730,803,564</u>
Current Assets			
Inventories	7	20,075,387	16,927,388
Trade and Other Receivables	8	22,604,174	11,415,921
Income Tax Receivable		191,418	-
Short Term Investments	9	63,580,311	-
Cash and Cash Equivalents	21.1	2,818,282	82,098,613
		<u>109,269,572</u>	<u>110,441,922</u>
Total Assets		<u>1,007,937,439</u>	<u>841,245,486</u>
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders			
Stated Capital	10	11,137,505	11,137,505
Reserves	11	627,892,387	609,622,387
Retained Earnings		252,369,498	167,799,116
Total Equity		<u>891,399,390</u>	<u>788,559,008</u>
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	14	17,184,098	-
Employee Benefit Liability	12	2,214,470	1,127,091
Deferred Tax Liabilities	19.2	18,157,664	26,308,026
		<u>37,556,232</u>	<u>27,435,117</u>
Current Liabilities			
Trade and Other Payables	13	21,224,750	14,956,901
Current Portion of Interest Bearing Loans and Borrowings	14	57,757,067	7,773,232
Income Tax Payable		-	2,521,228
		<u>78,981,817</u>	<u>25,251,361</u>
Total Equity and Liabilities		<u>1,007,937,439</u>	<u>841,245,486</u>

These Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.



Gayathri Manori
Finance Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by:



Lalith Heengama
Director



Gregory Scott Newsome
Director

The accounting policies and notes on pages 34 through 54 form an integral part of the Financial Statements.

26th July 2012
Colombo

11 INCOME STATEMENT

Year ended 31 March 2012

	Note	2012 Rs.	2011 Rs.
Revenue	3	116,924,657	138,881,060
Cost of Sales		(100,241,937)	(119,233,210)
Gross Profit		16,682,720	19,647,850
Other Income and Gains	15	96,819,151	17,402,657
Selling and Promotional Expenses		(6,866,466)	(1,668,476)
Administrative Expenses		(31,945,657)	(17,055,219)
Finance Income	16	5,077,703	7,138,778
Finance Cost	17	(2,476,149)	-
Profit Before Tax	18	77,291,302	25,465,590
Income Tax Expense	19	7,279,080	2,047,810
Profit for the Year		84,570,382	27,513,400
Earnings Per Share	20	66.44	21.62

The accounting policies and notes on pages 34 through 54 form an integral part of the Financial Statements.

	Stated Capital Rs.	General Reserve Rs.	Capital Reserve Rs.	Other Capital Reserve Rs.	Building Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2010	11,137,505	535,013,831	62,429,774	1,271,325	10,907,457	145,695,358	766,455,250
Net profit for the year	-	-	-	-	-	27,513,400	27,513,400
Dividends-for 2009/2010	-	-	-	-	-	(5,409,642)	(5,409,642)
As at 31 March 2011	11,137,505	535,013,831	62,429,774	1,271,325	10,907,457	167,799,116	788,559,008
Net profit for the year	-	-	-	-	-	84,570,382	84,570,382
Surplus on revaluation of property plant and equipment	-	-	18,270,000	-	-	-	18,270,000
As at 31 March 2012	11,137,505	535,013,831	80,699,774	1,271,325	10,907,457	252,369,498	891,399,390

The accounting policies and notes on pages 34 through 54 form an integral part of the Financial Statements.

Cash Flows Generated From / (Used in) Operating Activities	Note	2012 Rs.	2011 Rs.
Profit Before Taxation		77,291,302	25,465,590
Adjustments for			
Depreciation	4	2,541,541	862,232
Amortisation	6	600,000	50,000
Increase in Fair Value of Investment Property	5	(91,427,699)	-
Provision for Defined Benefit Plans	12	1,555,475	214,516
Interest Income	16	(5,077,703)	(7,138,778)
Finance Cost	17	2,476,149	-
Profit on Sale of Shares		-	(6,272,006)
Dividend Income		-	(28,364)
Operating Profit/(Loss) before Working Capital Changes		(12,040,935)	13,153,190
Increase in Inventories		(3,147,999)	(2,814,466)
Increase in Trade and Other Receivables		(11,188,253)	(4,591,082)
Increase/ (Decrease) in Trade and Other Payables		6,267,850	(2,925,091)
Cash Generated from Operations		(20,109,336)	2,822,551
Finance Cost paid	17	(2,476,149)	-
Defined Benefit Plan Costs paid	12	(468,096)	(153,000)
Income Tax Paid		(3,583,929)	(7,088,522)
Net Cash Flows used in Operating Activities		(26,637,510)	(4,418,971)
Cash Flows From / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	4	(1,229,844)	(2,773,965)
Additions to Investment Property	5	(60,078,302)	-
Investments in Fixed deposits	9	(63,580,311)	-
Interest Received	16	5,077,703	7,138,778
Acquisitions of Intangible Assets	6	-	(6,000,000)
Proceeds from Sale of Shares		-	9,404,463
Dividends Received		-	28,364
Net Cash Flows Generated from / (used in) Investing Activities		(119,810,754)	7,797,640

Cash Flows Generated From / (Used in) Financing Activities	Note	2012 Rs.	2011 Rs.
Interest Bearing Loans & Borrowings	14	56,562,098	-
Dividends Paid		-	(5,409,642)
Net Cash Flows Generated from / (used in) Financing Activities		56,562,098	(5,409,642)
Net Increase/(Decrease) in Cash and Cash Equivalents		(89,886,166)	(2,030,973)
Cash and Cash Equivalents at the beginning of the year	21	74,325,381	76,356,354
Cash and Cash Equivalents at the End of the Year	21	(15,560,785)	74,325,381

The accounting policies and notes on pages 34 through 54 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1. General

The Colombo Pharmacy Company PLC, (“Company”) is a limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is located at No. 505, Union place, Colombo 02, and the principal places of business are located at Union place, Colombo 02 and Bambalapitiya.

1.2. Principal Activities and Nature of Operations

During the year the principal activities of the Company were dispensing Chemists and acting as retail dealers in Pharmaceuticals.

1.3. Parent Entity and Ultimate Parent Entity

The Company's parent entity is Environmental Resources Investment PLC, which is incorporated in Sri Lanka. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Lionhart Investments Limited, which is incorporated in the United Kingdom.

1.4. Date of Authorization for Issue

The Financial Statements of the Colombo Pharmacy Company PLC for the year ended 31 March 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 26th July 2012.

2.1. BASIS OF PREPARATION

The Financial Statements have been prepared on a historical cost basis, except for investment properties freehold land & buildings that have been measured at fair value. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

2.1.1. Statement of Compliance

The Balance Sheet, Income Statement, Statement of Changes in Equity and Cash Flow Statement together with the accounting policies and notes (the “Financial Statements”) have been prepared in compliance with Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka.

2.1.2. Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or cease trading.

2.1.3. Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year. Comparative information is reclassified wherever necessary to comply with the current presentation which is more fully described in Note 24 to these Financial Statements.

2.2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

2.3. SIGNIFICANT ACCOUNTING JUDGMENTS , ESTIMATES AND ASSUMPTIONS

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements

Deferred Tax Assets :

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the Balance Sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements

Fair value of Property, Plant and Equipment and Investment Property :

The property, plant and equipment and investment property of the Company are reflected at fair value. When current market prices of similar assets are available, such evidences are considered in estimating fair values of these assets. In the absence of such information the company determines within a reasonable fair value estimates, amounts that can be attributed as fair values, taking in to consideration discounted cash flow projections based on estimates, derived evidence such as current market rents for similar properties and using discount rates that reflect uncertainty in the amount and timing of cash flows.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1. Foreign Currency Transactions

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. 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.

2.4.2. Taxation

(a) Current Taxes

Current income tax assets and liabilities for the current and prior 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 by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement.

(b) Deferred Tax

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

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

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

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

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

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

(c) Sales Tax

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

2.4.3. Borrowing Costs

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

2.4.4. Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae;

Pharmaceutical goods	- At weighted average cost basis
Goods in Transit	- At the actual purchase cost basis

2.4.5. Trade and Other Receivables

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

Other receivables and dues from related parties are recognised at cost less allowances for bad and doubtful receivables.

2.4.6. Cash and Cash Equivalents

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

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

2.4.7. Investments

(a) Initial Recognition

Cost of investment includes purchase cost and acquisition charges such as brokerages, fees, duties and bank regulatory fees. The Company distinguishes and presents current and non current investment in the balance sheet.

(b) Measurement

Current Investment:

Current investments are carried at the lower of cost and market value, determined on the basis of aggregate portfolio. Unrealized gains and losses on current investment is carried at market value are recognized as income or expense.

Long-Term Investments:

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

2.4.8. Property, Plant & Equipment

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

Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation.

Depreciation is charged to the income statement on straight-line basis.

Valuations are performed every 3-5 years (or frequently enough) to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

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

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

2.4.9. Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Investment properties are derecognized when disposed or permanently withdrawn from use and no future economic benefits are expected. Any gains or losses on retirement or disposal are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property, when there is a change in use, evidenced by end of owner occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property, when there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

2.4.10. 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 amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortization method for intangible assets with 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

2.4.10. *Intangible Assets (Contd.)* accounting estimates. The amortization expenses on intangible assets with finite lives are recognized in the income statement in the expense category consistent with the function of the intangible assets.

Computer Software

Computer software is amortized over 10 years from the date of acquisition or development.

2.4.11. Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the Balance Sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

2.4.12. Retirement Benefit Obligations

(a) Defined Benefit Plan - Gratuity

The Company annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan, using the Gratuity formula method in Appendix E of Sri Lanka Accounting Standard No 16, Employee Benefits (Revised 2006) which is based on the Projected Unit Credit method as discussed in the said standard.

The gratuity liability is not funded nor actuarially valued. This item is stated under employee benefit liability in the Balance Sheet.

(b) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.4.13. Revenue Recognition

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

(a) Sales of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer, usually on dispatch of the goods.

(b) Interest Income

Interest Income is recognised on a time proportion basis that takes in to accounts the effective interest rate on asset.

(c) Others

Other income is recognised on an accrual basis.

2.5. ACCOUNTING STANDARDS EFFECTIVE FROM 01 JANUARY 2012

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

- (a) **SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards** requires the Company to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Company shall use the same accounting policies in its opening new SLAS financial statements and throughout all comparable periods presented in its first new SLAS financial statements. LKAS 1 - Presentation of Financial Statements requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Company to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
- (b) **LKAS 16 - Property Plant and Equipment** requires a company to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs. All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset.
- This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.
- (c) **LKAS 23 - Borrowing Cost**, the Company/Group must capitalize borrowing costs in relation to a qualifying asset. Since the current policy is to expense all borrowing costs, this will result in a change in accounting policy.
- (d) **LKAS 12 - Income Tax** requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new SLAS.
- (e) **LKAS 18 - Revenue** requires the Company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Company/Group needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

03. REVENUE

	2012 Rs.	2011 Rs.
Gross Revenue	116,924,657	138,983,497
Less: Turnover Tax	-	(102,437)
Net Revenue	116,924,657	138,881,060

04. PROPERTY, PLANT & EQUIPMENT

	Balance As at 01.04.2011	Revaluations	Additions	Balance As at 31.03.2012
At Valuation	Rs.	Rs.	Rs.	Rs.
Freehold Land	93,660,000	19,874,710	-	113,534,710
Freehold Building	10,070,000	(1,604,710)	-	8,465,290
	103,730,000	18,270,000	-	122,000,000
At Cost				
Furniture and Fittings	2,631,505	-	89,288	2,720,793
Computer Equipment	4,020,403	-	574,650	4,595,053
Office and Electrical Equipment	3,365,555	-	565,906	3,931,461
	10,017,463	-	1,229,844	11,247,307
Total Value of Depreciable Assets	113,747,463	18,270,000	1,229,844	133,247,307

4.2. Depreciation and Impairment

	Balance As at 01.04.2011	Charge for the year	Balance As at 31.03.2012
At Valuation	Rs.	Rs.	Rs.
Freehold Building	402,800	201,399	604,199
	402,800	201,399	604,199
At Cost			
Furniture and Fittings	1,114,593	469,054	1,583,647
Computer Equipment	2,816,349	1,209,181	4,025,530
Office and Electrical Equipment	904,157	661,907	1,566,064
	4,835,099	2,340,142	7,175,241
Total Depreciation	5,237,899	2,541,541	7,779,440

4.3. Net Book Values

	2012	2011
At Valuation	Rs.	Rs.
Freehold Land	113,534,710	93,660,000
Freehold Building	7,861,091	9,667,200
	121,395,801	103,327,200
At Cost		
Furniture and Fittings	1,137,146	1,516,912
Computer Equipment	569,523	1,204,054
Office and Electrical Equipment	2,365,397	2,461,398
	4,072,066	5,182,364
Total Carrying Amount of Property, Plant & Equipment	125,467,867	108,509,564

4.4. The fair value of land and buildings was determined by means of a revaluation during the financial year 2012 by Mr. Chulananda Wellappili an independent valuer in reference to market based evidence. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31.03.2012. The surplus arising from the revaluation, was transferred to revaluation reserve.

4.5. The useful lives of the assets are estimated as follows;

	2012	2011
Freehold Building	50 Years	50 Years
Furniture and Fittings	8 Years	8 Years
Office and Electrical Equipment	6-7 Years	6-7 Years
Computer Equipment	4 Years	4 Years

4.6. During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs.1,229,844/-, (2011- Rs.2,773,965/-). Cash payments amounting to Rs. 1,229,844/- (2011- Rs.2,773,965/-) were made during the year for purchase of property, plant and equipment.

05. INVESTMENT PROPERTY

	2012 Rs.	2011 Rs.
Balance as at the beginning of the year	616,344,000	616,344,000
Construction and renovation of investment property	60,078,301	-
Disposals	-	-
Net gain from fair value adjustment	91,427,699	-
Balance as at the end of the year	767,850,000	616,344,000

5.1. Investment properties are stated at fair value, which have been determined on the basis of a market value and return on income generation for land and building respectively. A professional valuation was performed on the investment property of The Colombo Pharmacy Company PLC (Located at Union Place) by Mr.Chulananda Wellappili; incorporated valuer as at 31st March 2012.

06. INTANGIBLE ASSETS**6.1. Summary**

	2012 Rs.	2011 Rs.
At Cost		
As at 1 April	6,000,000	-
Acquired during the year	-	6,000,000
As at 31 March	6,000,000	6,000,000
Amortization		
As at 1 April	50,000	-
Amortization for the year	600,000	50,000
As at 31 March	650,000	50,000
Net book value		
As at 1 April	5,950,000	-
As at 31 March	5,350,000	5,950,000

Enterprise Resource Planning System consisting of application software accounted under above Intangible asset is amortized equally over 10 years commencing from 1 March 2011.

07. INVENTORIES

	2012 Rs.	2011 Rs.
Pharmaceutical Items	20,075,387	16,927,388
	<u>20,075,387</u>	<u>16,927,388</u>

08. TRADE AND OTHER RECEIVABLES

Summary	2012 Rs.	2011 Rs.
Trade Receivables - Related Parties (8.1)	-	20,409
- Other	2,442,141	1,593,615
	<u>2,442,141</u>	<u>1,614,024</u>
Other Receivables - Related Parties (8.2)	3,867,073	-
- Other	15,301,612	8,533,030
	<u>21,610,826</u>	<u>10,147,054</u>
Advances and Prepayments	993,348	1,268,867
	<u>22,604,174</u>	<u>11,415,921</u>

8.1. Trade Receivables - Related Parties

	Relationship	2012 Rs.	2011 Rs.
Ceylon Leather Products PLC	Related Company	-	13,223
Dankotuwa Porcelain PLC	Related Company	-	7,186
		<u>-</u>	<u>20,409</u>

8.2. Other Receivables - Related Parties

	Relationship	2012 Rs.	2011 Rs.
Senit Technologies (Pvt) LTD	Related Company	3,694,245	-
Ceylon Leather Products PLC	Related Company	172,828	-
		<u>3,867,073</u>	<u>-</u>

09. SHORT TERM INVESTMENTS

	2012	2011
Summary	Rs.	Rs.
Current		
Investment in Fixed Deposits	63,580,311	-
Total Carrying Value of Short Term Investments	63,580,311	-

10. STATED CAPITAL

	2012		2011	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	1,272,857	11,137,505	1,272,857	11,137,505
	1,272,857	11,137,505	1,272,857	11,137,505

11. RESERVES

	2012	2011
Summary	Rs.	Rs.
Revaluation Reserve (11.1)	80,699,774	62,429,774
Revenue Reserves (11.2)	545,921,288	545,921,288
Other Capital Reserves (11.3)	1,271,325	1,271,325
	627,892,387	609,622,387

11.1. Revaluation Reserve

	2012	2011
On: Property, Plant & Equipment	Rs.	Rs.
As at 1 April	62,429,774	62,429,774
Revaluation surplus during the year	19,874,710	-
Revaluation deficit during the year	(1,604,710)	-
As at 31 March	80,699,774	62,429,774

11.2. Revenue Reserves

	2012			2011		
	Building Reserve	General Reserve	Total	Building Reserves	General Reserve	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
At the beginning of the year	10,907,457	535,013,831	545,921,288	10,907,457	535,013,831	545,921,288
At the end of the year	10,907,457	535,013,831	545,921,288	10,907,457	535,013,831	545,921,288

Revenue Reserve

Revenue reserve represents the amounts set aside by the directors for general application.

11.3. Other Capital Reserves

	2012	2011
	Rs.	Rs
As at 1 April	1,271,325	1,271,325
As at 31 March	1,271,325	1,271,325

12. EMPLOYEE BENEFIT LIABILITY

	2012	2011
	Rs.	Rs.
Retirement Benefits Obligation-Gratuity		
As at 1 April	1,127,091	1,065,575
Charge for the year	497,363	103,599
(Gain)/Loss arising from changes in the assumptions used	960,119	20,928
Interest cost on benefit obligations	97,994	89,989
Payments made during the year	(468,096)	(153,000)
As at 31 March	2,214,470	1,127,091

The Retirement Benefit Liability of the Company is based on the gratuity formula in appendix E of SLAS 16 - Employee Benefits. The Principal assumptions used in determining the cost of employee benefits were;

	2012	2011
	Executive & Non Executive Staff	Executive & Non Executive Staff
Salary Increment Rate	10%	7%
Staff Turnover Rate	14%	6%
Discount Rate	10%	9.50%
Retirement Age	55 Years	55 Years

13. TRADE AND OTHER PAYABLES		2012	2011
Summary		Rs.	Rs.
Trade Payables	- Related Parties (13.1)	-	141,735
	- Others	6,906,617	7,147,757
Other Payables	- Related Parties (13.2)	4,010,000	1,555,000
	- Others	9,719,831	5,644,784
Sundry Creditors Including Accrued Expenses		588,302	467,625
		21,224,750	14,956,901

13.1 Trade Payables - Related Parties		2012	2011
	Relationship	Rs.	Rs.
J.L Morison Son & Jones (Ceylon) PLC	Common Director	-	141,735
		-	141,735

13.2 Other Payables - Related Parties		2012	2011
	Relationship	Rs.	Rs.
Senit Technologies Pvt Ltd	Related Company	-	1,500,000
Roomsnet International Ltd (UK)	Related Company	-	55,000
Dankotuwa Porcelain PLC	Related Company	10,000	-
Environmental Resources Investments PLC	Parent Company	4,000,000	-
		4,010,000	1,555,000

14. INTEREST BEARING LOANS & BORROWINGS

	2012			2011		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Bank Loans (14.1)	39,378,000	17,184,098	56,562,098	-	-	-
Bank Overdrafts (21.2)	18,379,067	-	18,379,067	7,773,232	-	7,773,232
	57,757,067	17,184,098	74,941,165	7,773,232	-	7,773,232

14.1 Bank Loans

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.
National Development Bank PLC	-	56,562,098	-	56,562,098
	-	56,562,098	-	56,562,098

Rate of Interest: 12.25%

Terms of Re-Payment: The range of monthly instalments is between Rs. 801,800/- to Rs. 6,500,000/-.

15. OTHER INCOME AND GAINS

	2012 Rs.	2011 Rs.
Fair Value Gain on revaluation of Investment Property	91,427,699	-
Rental income from investment property	4,582,035	10,898,585
Other Income	809,418	6,504,072
	96,819,151	17,402,657

16. FINANCE INCOME

	2012 Rs.	2011 Rs.
Interest on fixed deposits	5,077,703	7,138,778
	5,077,703	7,138,778

17. FINANCE COST	2012	2011
	Rs.	Rs.
Interest Expense on Loans	2,476,149	-
	2,476,149	-

18. PROFIT/(LOSS) FROM CONTINUING OPERATIONS	2012	2011
<i>Stated after Charging / (Crediting)</i>	Rs.	Rs.
Included in Administrative Expenses		
Employees Benefits including the following	17,847,009	10,678,540
Defined Benefit Plan Costs - Gratuity	1,555,475	214,516
Defined Contribution Plan Costs - EPF & ETF	1,625,292	1,092,352
Depreciation	2,541,541	862,232
Amortization of Intangible Assets	600,000	50,000
Auditor's Fees and Expenses	285,000	224,000
Directors remuneration and fees	-	270,000

19. INCOME TAX

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

	2012	2011
	Rs.	Rs.
Income Statement		
Current Income Tax		
Current income tax charge (Note 19.1)	924,142	6,669,897
Under/(Over) provision of current taxes in respect of prior years	(904,255)	328,892
Deemed Dividend Tax		
Deemed dividend tax charge for the year	851,395	-
Deferred Income Tax		
Deferred taxation charge/(reversal) (Note 19.2)	(8,150,362)	(9,046,599)
Income Tax Expense reported in the Income Statement	(7,279,080)	(2,047,810)

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

	2012 Rs.	2011 Rs.
Accounting Profit before tax from operations	77,291,302	25,465,590
Aggregate Disallowed Items	9,893,961	1,512,155
Aggregate Allowable Expenses	(3,160,615)	(2,695,353)
(Income)/Loss not subject to Tax	(91,427,699)	-
Other income included in profit from operations	(5,077,703)	(13,439,149)
Taxable Profit/(Loss)	(12,480,754)	10,843,243
Interest income	5,077,703	7,931,976
Less: Carried forward tax loss utilized	(1,777,196)	-
Taxable income	3,300,507	18,775,219
Statutory Tax Rate	28%	35%
Current Income Tax Expenses (Provisional)	924,142	6,571,327
SRL @ 1.5%	-	98,570
	924,142	6,669,897

19.2. Deferred Tax Assets, Liabilities and Income Tax relates to the followings;

	Balance Sheet		Income Statement	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Deferred Tax Liability				
Capital allowances for tax purposes	22,896,173	26,623,611	3,727,437	8,731,015
	22,896,173	26,623,611		
Deferred Tax Assets				
Defined Benefit Plans	620,052	315,585	304,466	315,585
Losses available for off set against future taxable income	4,118,458	-	4,118,458	-
	4,738,510	315,585		
Deferred income tax income / (expense)			8,150,362	9,046,599
Net Deferred Tax Liability	18,157,664	26,308,026		

20. EARNINGS PER SHARE

20.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders (after deducting preference share dividends) by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

20.2 The following reflects the income and share data used in the Basic Earnings Per Share computations;

	2012	2011
	Rs.	Rs.
Net Profit for the year	84,570,382	27,513,400
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per share	84,570,382	27,513,400
No. of Ordinary Shares used as the denominator:	2012	2011
	Number	Number
Weighted average number of ordinary shares in issue applicable to Basic Earnings per share	1,272,857	1,272,857

21. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT*Components of Cash and Cash Equivalents*

	2012	2011
	Rs.	Rs.
21.1 Favorable Cash & Cash Equivalents balance		
Cash & Bank Balances	2,818,282	3,195,483
Investments in Fixed Deposits	-	78,903,130
	2,818,282	82,098,613
21.2 Unfavorable Cash & Cash Equivalent Balances		
Bank Overdraft	(18,379,067)	(7,773,232)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(15,560,785)	74,325,381

22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

23. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

23.1. Transaction with the parent and related entities	2012 Rs.	2011 Rs.
As at 1 April	(1,676,326)	(638,160)
Sale of Goods/Services	63,322	20,409
Purchase of Goods/Services	(10,000)	(8,858,571)
Receipt of Sales	(79,938)	
Payments made for purchases	1,509,235	7,799,996
Rendering of Services	2,636,619	-
Receipt of Services	(1,028,160)	
Central Cost Allocated	456,429	-
Settlement of Liabilities on behalf of the Company	(4,000,000)	-
Settlement of Liabilities by the Company on behalf of others	2,165,892	-
Others : Deposits held	(180,000)	-
As at 31 March	(142,927)	(1,676,326)

Related Parties included	Relationship
Senit Technologies Pvt Ltd	Related Company
Roomsnet International Ltd.(UK)	Related Company
Dankotuwa Porcelain PLC	Related Company
Environmental Recourses Investments PLC	Parent Company
Ceylon Leather Products PLC	Related Company

Terms and Conditions:

Sales and purchase of goods and/ or services to related parties were made at on the basis of the price lists in force with non related parties, but subject to the approved discounts.

23.2. Transactions with Key Management Personnel of the Company and parent

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

(a). Key Management Personnel Compensation	2012	2011
	Rs.	Rs.
Short-term employee benefits	-	270,000
	-	270,000

There were no transactions with Key Management Personnel of the Company and parent during the year.

24. COMPARATIVE INFORMATION

The presentation and classification of following items in these Financial Statements are amended to ensure comparability with the current year.

As reported previously:	2012	2011
	Rs.	Rs.
Amounts due from Related Parties	-	20,409
Amounts due to Related Parties	-	141,735
Capital Reserves	-	63,701,099
General Reserves	-	535,013,831
Building Reserves	-	10,907,457
Administrative Expenses	-	18,723,695

Current Presentation:

Trade Receivables - Related Parties

Ceylon Leather Products PLC	-	13,223
Dankotuwa Porcelaine PLC	-	7,186

Trade Payables - Related Parties

J.L Morison Son & Jones (Ceylon) PLC	-	141,735
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Reserves

Reserves	627,892,387	609,622,387
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Expenses

Selling and Promotional Expenses	6,866,466	1,668,476
Administrative Expenses	34,421,806	17,055,219

Reasons for change in the presentation and classification:

The current year classifications were changed as above due to better presentation purpose.

25. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2012 Rs.	2011 Rs.	
Land and Buildings	Negative pledge for Loans and Borrowings	35Mn	-	Property, Plant & Equipment
Fixed Deposits	Pledged for Loans and Borrowings	63Mn	-	Short Term Investments

26. COMMITMENTS AND CONTINGENCIES

The Company does not have significant commitments and contingencies as at the balance sheet date.

01. Stock Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange. The Audited Income Statement for the year ended 31st March 2012 and the Audited Balance Sheet of the Company as at that date will be submitted to the Colombo Stock Exchange within five months of the balance sheet date.

02. Composition of Ordinary Shareholders as at 31st March

	2012			2011		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1771	152,145	11.95%	1476	115387	9.06%
1,001 - 10,000	63	207,171	16.28%	51	187351	14.72%
10,001 - 100,000	4	68,382	5.37%	6	124960	9.82%
100,001 - 1,000,000	1	845,159	66.40%	1	845159	66.40%
	1839	1,272,857	100%	1534	1,272,857	100%

03. The number of Shares held by the Board of Directors are as follows:

Name of the Director	No. of shares held as at 31 March 2012	No. of shares held as at 31 March 2011
Mr.Lalith Heengama	NIL	NIL
Dr.Kosala Heengama	NIL	NIL
Mr.Gregory S. Newsome	NIL	NIL
Mr.Gamini S.Munasinghe	NIL	NIL
Mr.H.B.Dissanayake (Resigned w.e.f. 24 May 2012)	NIL	NIL
Mr.R.N.Asirwatham (Appointed w.e.f. 24 May 2012)	NIL	NIL

04. Twenty Major Shareholders

Name of Shareholder	2012		2011	
	No of Shares	%	No of Shares	%
Environmental Resources Investment PLC	845,159	66.40	845,159	66.40
Mr J. E. De Costa	25,569	2.01	25,569	2.01
The Estate of Mr H. E. B. De Mel	15,613	1.23	15,613	1.23
Seylan Bank PLC/Mr W. D. N. H. Perera	15,200	1.19	46,100	3.62
Laughs Gas	12,000	0.94	12,000	0.94
S.N.C.W.M.B.C.Kandegedara	9,400	0.74	-	0.00
Sampath Bank PLC/Capital Trust Holding (Pvt) Ltd	9,300	0.73	-	0.00
Thurstan Investments Ltd	9,262	0.73	9,262	0.73
The Estate of Mrs I. A. Gunatilleke	8,800	0.69	8,800	0.69
Mr.M. M. Misso	8,492	0.67	8,492	0.67
The Estate of Mrs Edith De Silva	8,433	0.66	8,433	0.66
The Ceylon Desiccated Coconut Oil Co	8,133	0.64	8,133	0.64
Mrs.Sylvia Fernando	7,700	0.60	7,700	0.60
First Capital Markets/Ms R. S. Martenstyne	7,435	0.58	7,625	0.60
Mrs.G.I.F.Abeysundare	7,070	0.56	7,070	0.56
Mr.M.R.M.Harees	6,000	0.47	-	0.00
Almar Trading Co. (Pvt) Ltd	6,000	0.47	6,000	0.47
The Estate of Mr H. C. Peiris	5,866	0.46	5,866	0.46
Mrs.E.C.Rodrigo	5,106	0.40	-	0.00
Mr.K.O.D.Jayaratne	5,000	0.39	-	0.00
Other Shareholders	247,319	19.44	251,035	19.72
Total	1,272,857	100.00	1,272,857	100.00

05. Information pertaining to material forceable risk factors of the Entity

The Company does not foresee any material risks affecting its business in the foreseeable future.

06. Details of material issues pertaining to Employees and Industrial relations of the Entity

There were no material issues pertaining to employees and industrial relations of the Company during the year under review.

07. Extent, Locations , Valuations and the No. of Buildings of the Entity's Land Holding

	Location of the property	Extent of the property	No. of Buildings	Accounted as		Market Value	Cost if Accounted as Property, Plant & Equipments	Accumulated Depreciation had the Property carried out at Cost
				Property Plant & Equipments	Investment Property			
Freehold Land	Union Place	117.75 P	-	-	√	} 767,850,000	-	-
Building	Union Place	33,855 sq.ft.	2	-	√		-	-
Freehold Land	Bambalapitiya	17.82 P	-	√	-	113,534,710	25,802	-
Freehold Building	Bambalapitiya	5356 sq.ft.	1	√	-	8,465,290	2,700,321	404,848

The Company did not hold Land and Buildings as at the Balance Sheet date, other than the property detailed above.





Year Ended 31st March,	2012	2011	2010	2009	2008
Trading Results	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)	(Rs. '000)
Revenue	116,925	138,881	134,489	126,184	111,489
Profit before tax	77,291	25,465	24,569	149,852	19,565
Taxation	7,279	2,048	(10,371)	(16,106)	(6,867)
Profit after tax	84,570	27,513	14,198	133,746	12,698

Funds Employed

Stated Capital	11,138	11,138	11,138	11,138	11,138
Capital Reserve	81,971	63,701	63,701	63,701	44,632
Other Reserves	545,921	545,921	545,921	540,921	581,421
Retained Profit	252,369	167,799	145,695	141,270	5,110
Shareholder's Funds	891,399	788,559	766,455	757,030	642,301

Assets Employed

Non-Current Assets	893,318	724,854	722,941	723,412	586,328
Intangible Assets	5,350	5,950	-	-	-
Current Assets	109,269	110,442	102,258	90,425	77,842
Non-Current Liabilities	(37,556)	(27,435)	(36,420)	(33,530)	(3,962)
Current Liabilities	(78,982)	(25,251)	(22,324)	(23,277)	(17,908)

Capital Employed	891,399	788,559	766,455	757,030	642,301
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	2012	2011	2010	2009	2008
Ratio Analysis					
Earnings per share (Rs.)	66.44	21.62	11.15	105.22	9.98
Net Assets per share (Rs.)	700.31	619.52	602.15	594.75	478.08
Dividend per ordinary share (Rs.)	-	-	4.25	3.75	3.75
Dividend proposed (Rs. '000)	-	-	5,409.00	4,773.00	4,773.00
Dividend rate (%)	-	-	85.00	75.00	75.00
Quick Assets ratio	1.13	3.70	3.95	3.37	3.71
Highest during the Year (Rs.)	3,585.00	4,100.00	450.00	320.00	300.00
Lowest during the Year (Rs.)	505.00	1,600.00	160.00	200.00	150.00
Market price per share as at 31st March	768.00	3,430.00	310.00	230.00	259.00
Last transaction date	30.03.2012	31.03.2011	18.02.2010	11.03.2009	28.03.2008

NOTICE IS HEREBY GIVEN that the Ninety Ninth Annual General Meeting of THE COLOMBO PHARMACY COMPANY PLC will be held at Crystal Room upper, Taj Samudra on 19th September 2012 at 1.00 p.m. for the following purposes:

1. To receive and consider the Annual Report of the Directors and the Statement of Accounts for the year ended 31st March 2012 with the Report of the Auditors thereon. (Resolution 1)
2. To re-appoint Mr. Lalith Heengama who retires in terms of Section 210 of the Companies Act No.07 of 2007 as a Director of the Company and to adopt the following resolution: “RESOLVED that Mr. Lalith Heengama who is more than seventy years of age be and is hereby re-appoint as a Director of the Company, and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director”. (Resolution 2)
3. To re-appoint Mr. R.N Asirwatham who retires in terms of Section 210 of the Companies Act No.07 of 2007 as a Director of the Company and to adopt the following resolution: “RESOLVED that Mr. R.N. Asirwatham who is more than seventy years of age be and is hereby re-appoint as a Director of the Company, and is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to the said Director”. (Resolution 3)
4. To re- appoint Messers Ernst & Young Chartered Accountants as Auditors for the ensuing year and to authorize the Directors to determine their remuneration. (Resolution 4)
5. To authorize the Directors to determine and make payments for charitable and other purposes for the year 2012/2013 as set out in the Companies Donation Act(CAP 147). (Resolution 5)

Special Business (Resolution 6)

1. If thought fit to pass the following as a special resolution

“Resolved that the Articles of Association of the Company be amended by deleting the existing Articles in its entirety and that the regulations contained in the printed document submitted to this meeting in triplicate which, for purpose of identification, have been signed, page by page, by the Chairman of this meeting, be and the same are hereby approved and adopted as the Articles of Association of the Company, in substitution for, and to the exclusion of the existing Articles of Association of the Company.”

By Order of the Board of

The Colombo Pharmacy Company PLC

(Sgd)

Nexia Corporate Consultants (Private) Limited

Secretaries

Note:

- i. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote instead of him/her. A Proxy need not to be a member of Company.
- ii. A form of Proxy accompanies this notice.
- iii. The completed form of Proxy should be deposited at the Business Office of the Company at No.505, Union Place, Colombo 02 not less than 48 hours before the time appointed for the holding of meeting.

I/We of Member/members of the above named Company, hereby appoint of or failing him/her.

Mr. Lalith Heengama of Colombo or failing him
 Dr. Kosala Heengama of Colombo or failing him
 Mr. Gregory Scott Newsome of Colombo or failing him
 Mr. Gamini Sarath Munasinghe of Colombo or failing him
 Mr. R.N. Asirwatham of Colombo or failing him

As my/our proxy to represent me/us and to attend speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Crystal Room upper, Taj Samudra on 19th September 2012 at 1.00 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

As my/our proxy to attend and vote for me/us on my/our behalf at the Ninety Ninth Annual General Meeting of the Company to be held on 19th September 2012 and at any adjournment thereof.

Please indicate with an 'x' in the space below how you wish your votes to be cast.

	For	Against
1. To adopt the Statement of Accounts for the year ended 31st March 2012	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint Mr. Lalith Heengama	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. R.N. Asirwatham.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-appoint Auditors	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorize the Directors to determine and make payments	<input type="checkbox"/>	<input type="checkbox"/>
6. Special Business Adoption of new Articles	<input type="checkbox"/>	<input type="checkbox"/>

Signed on this day of 2012

Signature

Please furnish following information:

Share Certificate No CDSA/c No

NIC No No of Shares

Note

- i. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy or Proxies to attend and vote instead of him/her. A Proxy need not be a member of the company.
- ii. A Form of Proxy accompanies this notice.
- iii. The completed Form of Proxy should be deposited at the registered office of the Company at No.505, Union Place, Colombo 02 (not less than 48 hours before the time appointed for the holding of meeting.)
- iv. In terms of the Article 82 of the Articles of Association of the Company the instrument appointing a proxy shall be printed or written and shall signed by the appointor, or if such appointer be a corporation, it shall be under the Common seal of such corporation.

Shareholders/Proxies attending the meeting are requested to bring their National Identity Card or Passport.

Instructions as to Completion

1. Please perfect the Form of Proxy by filling in legibly your full name and address, by signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company, at No. 505 Union Place, Colombo 2, not less than 48 hours before the time appointed for the holding of the Meeting
3. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should Accompany the Form of Proxy for registration, if such Power of Attorney has already Been registered with the Company.
4. If the appointer is a Company or Corporation, this Form must be executed under the Common Seal which should be attested in the manner prescribed by its Articles of Association.
5. If this Form is returned without any indication as to how the person appointed as proxy shall vote, the Proxy shall exercise his/her discretion as to how he/she votes, or whether he/she abstains form voting.

Name of Company	The Colombo Pharmacy Company PLC
Registered Office	505, Union Place Colombo 02 Email: info@thecolombopharmacy.com
Legal Form	Public Limited Liability Company Listed in the Colombo Stock Exchange Incorporated in 1913 Re- registered as a Public Limited Company under the Companies Act No. 7 of 2007 on 13th August 2007
Company Registration No.	PQ 71
Directors 2012	Lalith Heengama (Chairman) Heen Banda Dissanayake Gamini Sarath Munasinghe Gregory Scott Newsome Kosala Heengama
Secretaries	Nexia Corporate Consultants (Private) Limited
Auditors	Ernst & Young Chartered Accountants
Bankers	Commercial Bank Hongkong & Shanghai Banking Corporation National Development Bank Nations Trust Bank Standard Chartered Bank Sampath Bank
Pharmacies	The City Dispensary Union Place Colombo 02 The City Dispensary & IC Drugs Bambalapitiya Colombo 04



THE
COLOMBO
PHARMACY
COMPANY PLC

The Colombo Pharmacy Company PLC

No. 505, Union Place, Colombo 02.
Email: info@thecolombopharmacy.com