C. W. MACKIE PLC
ANNUAL REPORT 2016/17

SUSTAINED EXCELLENCE

Contents

SUSTAINED EXCELLENCE

With a history in Sri Lanka spanning over 100 years, C. W. Mackie PLC has consistently upheld its position as one of the country's pioneering trading houses. Your Company's performance over the past few years has been consistent, reaping value for all discerning stakeholders. Our people-centric focus along with our most valued asset, our dedicated and diligent staff, has been pivotal in bolstering the Company's progress and fortifying its growth.

With its customers and the unparalleled motivation and work ethic of its staff, C. W. Mackie has witnessed the Company grow consistently and sustain its reputation for excellence as a leading provider of diverse and in-demand quality products and services and unsurpassed brand equity in the Country. Efforts have been made in the long run, to contribute to the local economy in our fullest capacity. Our portfolio has been strategically strengthened and expanded thus, ascertaining a promising future ahead that will inspire and transform each of the subsidiaries and sectors we operate in.

Vision

To be recognized as one of the top ten trading houses in Sri Lanka

Mission

The primary purpose of C. W. Mackie PLC and its subsidiary companies (CWM Group) is to maximise financial returns on investments in the best interests of all its stakeholders whilst fulfilling an obligation to contribute, over the long term and to the fullest extent possible, to greater efficiency and growth of the total economy.

Our Goals

Each company within the CWM Group will accomplish the primary objective by:

- Achieving financial, technical and commercial independence and status as an ongoing, self sustaining, viable entity;
- Maintaining market competitiveness, both locally and internationally, by operating in a sound business manner, producing and selling quality products and services at the lowest possible cost;
- Maintaining financial, technical and commercial competence and optimising operating efficiencies;
- Making the most effective use of manpower for maximum productivity;
- Developing and retaining manpower with appropriate talent and skills; and
- Business expansion and diversification involving the development of profitable value added products and services for export, import substitution and local consumption by optimizing the use of existing and potential strengths and resources available to the CWM Group.

Group Structure and Principal Activities

PARENT COMPANY
C. W. MACKIE PLC

Stated Capital: Rs.507,047,487
Number of Shares Issued: 35,988,556

Export and sale locally of thick pale crepe rubber (TPC), ribbed smoked sheet rubber (RSS) and desiccated coconut.

Import and wholesale distribution of sugar to industrial users.

Import and sale of welding equipment and consumables and light engineering products.

Import and sale of refrigeration and air-conditioning components.

Import, sale/distribution of marine paints and protective coatings.

Import, manufacturing and distribution of branded FMCG products. Bottling of “Sunquick” range of fruit squashes and bottling of drinking water under “Scan” brand for domestic distribution.

CEYMAC RUBBER COMPANY LIMITED

Stated Capital: Rs.36,450,000
Number of Shares Issued: 3,189,375
Group Interest: 98.72%

Manufacture, export and sale locally of technically specified rubber (TSR) and manufacture and export of plantation sole crepe rubber and specialised industrial sole crepe rubber.

CEYTRA (PRIVATE) LIMITED

Stated Capital: Rs.30,000,000
Number of Shares Issued: 3,000,000
Group Interest: 62.82%

Manufacture and export of moulded rubber products.

KELANI VALLEY CANNERIES LIMITED

Stated Capital: Rs.5,709,043
Number of Shares Issued: 34,398,455
Group Interest: 88.34%

Manufacture, sale and export of a wide range of processed tropical fruits and vegetables and beverage products under “KVC” brand.

About Us

FMCG

Engages in manufacturing, importing, marketing and distribution of branded FMCG products specializing in the food and beverage category

MANUFACTURING

Engages in manufacture, sale and export of technically specified rubber (TSR), sole crepe and moulded rubber products

MARINE PAINTS

Engages in import, sale/distribution of marine paints and protective coatings and providing technical services in marine paint related projects

REFRIGERATION AND AIR-CONDITIONING

Engages in import, sale/distribution and services of world renowned brands of refrigeration and air-conditioning equipment, components, accessories and refrigerant gases.

EXPORT TRADING

Engages is export of all grades of natural rubber, ribbed smoked sheet rubber (RSS), sole crepe, technically specified rubber (TSR), desiccated coconut and other coconut products, spices and fibre products.

INDUSTRIAL PRODUCTS

Engages in import, sale/distribution and servicing of world renowned brands of welding, light engineering, power generation and workshop machinery.

SUGAR TRADING

Engages in import and wholesale distribution of sugar to industrial users

Historical Note

The business was founded in 1900 by late Mr. C. W. Mackie, a Scotsman, who carried on the enterprise as Merchants and Commission Agents under the name of "C. W. Mackie & Company."

In 1922, the business was incorporated as a private limited company. In 1946, a consortium of Ceylonese and Indian Businessmen bought over the shares of the Company and converted it to a public company.

The year 1971 marked a significant change when Ceylon Trading Company Limited, the Sri Lanka based subsidiary of Aarhus United A/S of Denmark, bought a part of the Indian shareholding and took over the management of the Company. In late 1994, shares equivalent to 25% of the total shares in the Company were issued to the public so as to broadbase ownership and give the Company greater access to the capital market of Sri Lanka to raise capital funds for its future diversification and expansion. The Company's shares are quoted on the Colombo Stock Exchange.

January 2010 marked another significant change when the principal shareholders, Aarhus United A/S, Denmark (AU) and Ceylon Trading Company Limited (CTC) divested their entire shareholding of 56.56% of the stated capital of the Company and relinquished control of the affairs of the C. W. Mackie PLC Group of Companies. The AU/CTC shares were acquired by Lankem Ceylon PLC and a connected party, Kotagala Plantations PLC. Lankem Ceylon PLC (Lankem) was established in 1964 in Sri Lanka as a private limited liability company and its shares have been listed on the trading floor of the Colombo Stock Exchange since 1970. The Lankem Group of Companies has a diversified business portfolio which consist of manufacturing (paints, agro/industrial chemicals and bituminous products), distribution of consumer products, rubber and tea plantation management and owning and operating resort hotels. Lankem is a subsidiary of the fully diversified conglomerate, The Colombo Fort Land & Building PLC.

This acquisition by Lankem greatly strengthens the overall management capabilities of C. W. Mackie PLC Group in the conduct of the affairs and enhances business opportunities, availing of synergies.

The C. W. Mackie PLC Group presently consists of C. W. Mackie PLC and three subsidiary companies engaged in a diversity of activities such as export of natural rubber and desiccated coconut; rubber-based products for export and sale locally; import, manufacture and distribution of branded FMCG products; manufacture for sale and distribution locally and export of branded food and beverage products; import and distribution of sugar and import and re-sale of branded marine paints and protective coatings, welding equipment and consumables, light engineering products, refrigeration and air-conditioning components.

Key Milestones

1900
Founded by late Mr. C. W. Mackie, a Scotsman. Business as merchants and commission agents carried on under the name of "C. W. Mackie & Company".

1922
Incorporated as a private limited company.

1946
Consortium of Ceylonese and Indian Businessman buys over shares of the Company and converts it to a public company.

1971
Ceylon Trading Company Limited, local subsidiary of Aarhus United A/S, Denmark acquire part of Indian shareholding and takes over the Management.

1994
Shares equivalent to 25% of the total shares issued to the public. Shares are quoted on the Colombo Stock Exchange.

2010
Aarhus United A/S (AU)/Ceylon Trading Company Limited (CTC) divest their entire shareholding of 56.56% of the stated capital and relinquish control of C. W. Mackie PLC Group of Companies.

AU/CTC shares acquired by Lankem Ceylon PLC and a connected party, Kotagala Plantations PLC.

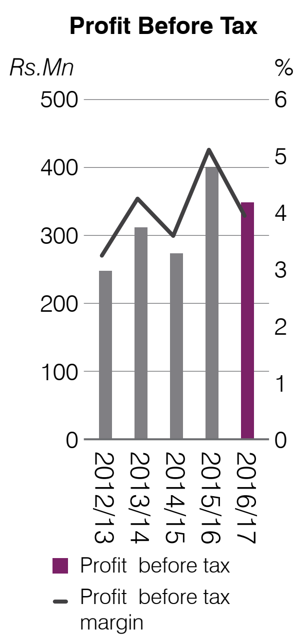
Financial Highlights

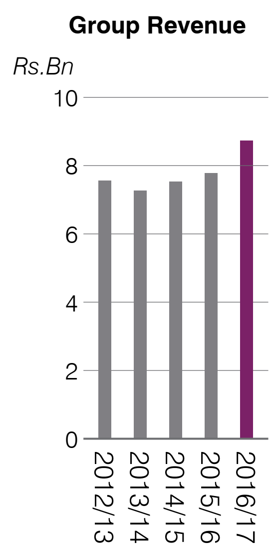
Rs. 4.1 Bn
Total Assets

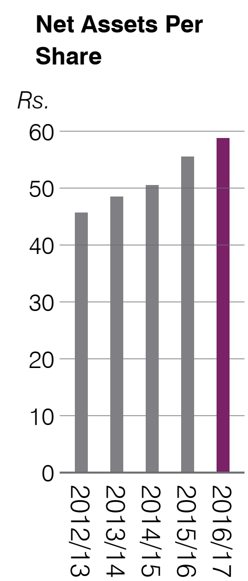
Rs. 8.8 Bn
Group Revenue

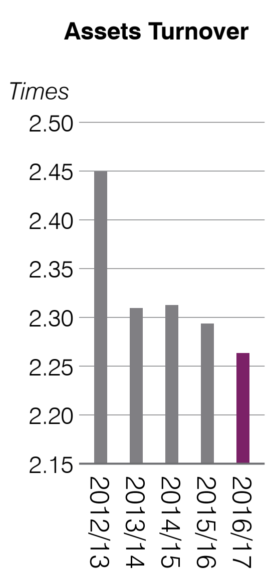
Rs. 2.1 Bn
Shareholders' Fund

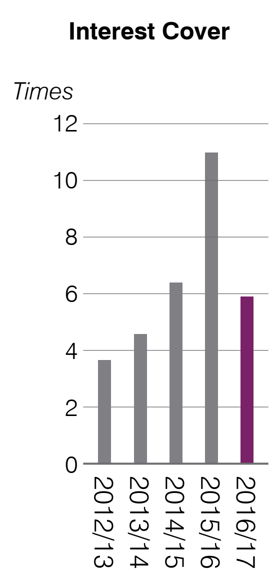
Rs. 237 Mn
Group Profit After Tax











For the year ended 31 March		2017	2016	Change
Operating Highlights and Ratios				
Group revenue	Rs. 000's	8,837,350	7,859,633	12%
Group gross profit	Rs. 000's	1,282,890	1,138,688	13%
Group profit before tax	Rs. 000's	349,068	401,923	-13%
Group profit after tax	Rs. 000's	237,131	278,522	-15%
Profit attributed to parent company	Rs. 000's	236,477	285,251	-17%
Group earnings per share	Rs.	6.57	7.93	-17%
Dividend per share*	Rs.	3.50	3.00	17%
Interest cover ratio	No. of times	5.87	10.96	-46%
Net return on capital employed	%	18.54	19.16	-3%
Net return on shareholders' funds	%	11.56	14.13	-18%
Group foreign exchange earnings	Rs. 000's	1,605,353	2,130,866	-25%
Contribution to government revenue	Rs. 000's	1,811,400	1,548,410	17%
Group value added	Rs. 000's	2,672,500	2,379,500	12%
Value added per employee	Rs. 000's	4,592	4,167	10%
Balance Sheet Highlights and Ratios				
Total assets	Rs. 000's	4,140,036	3,666,317	13%
Total shareholders' funds	Rs. 000's	2,138,716	2,018,467	6%
Total debt	Rs. 000's	1,011,969	929,407	9%
Current ratio	1:	1.76	1.83	-4%
Net asset value per share	Rs.	59.43	56.09	6%
Debt/equity	%	47%	46%	3%
Debt/total assets	%	24%	25%	-4%
Group capital expenditure	Rs. 000's	262,382	90,348	190%
Market/Shareholder Information				
Market value per share				
- at year end	Rs.	54.70	54.60	
- during the year - Highest	Rs.	64.00	58.00	
- during the year - Lowest	Rs.	47.00	47.00	
Dividend payout ratio	%	53%	38%	
Dividend yield	%	6%	5%	
Price earnings ratio (PER)	No. of times	8.32	6.89	
General				
Number of employees in Group		582	571	
Value in Rs. at official exchange rate	United States Dollar	152.10	147.50	
	Pound Sterling	192.46	207.89	
	Euro	163.55	166.99	

** Cash dividends paid during the year*

ENHANCED GREATNESS

"Sunquick" has successfully sustained its momentum in being a fruit squash leader in the nation over the years. The prestigious Danish brand consumed by millions around the world and available in more than 100 countries. In Sri Lanka, it has been bottled, distributed and marketed by its local partner, C. W. Mackie PLC, for the past 36 years. C. W. Mackie and its Danish counterpart Co-Ro A/S have entered into a Joint Venture Agreement intended to leverage the earned brand equity Sunquick which had been accumulated over the course of its journey in Sri Lanka thus far and take the brand to the next level in terms of providing Sri Lankan customers with a completely different yet delightful experience.


SUNQUICK™
SUNQUICK
Orange
Fruity and refreshing

Chairman/Chief Executive Officer's Review

"The internal trading activities of the Group is the fastest growing segment of the Group's business with the FMCG segment, sugar trading and the sale and distribution of Hempel brand marine paints having the greatest potential for expansion."

On behalf of the Board of Directors I am pleased to welcome you to the Ninety Fifth Annual General Meeting of the Company and to present the Annual Report and the Audited Financial Statements of your Company and its subsidiary companies for the financial year ended 31 March 2017.

Financial Results

Group gross profit

An analysis of the Group's gross profit is given hereunder :

	Group	
	Year ended 31 March 2017 Rs. Million	Year ended 31 March 2016 Rs. Million
C. W. Mackie PLC	1,163.9	1,043.7
Ceymac Rubber Company Limited	62.1	58.5
Ceytra (Private) Limited	17.6	12.7
Scan Tours & Travels (Private) Limited	-	7.4
Kelani Valley Canneries Limited	39.3	16.4
	1,282.9	1,138.7

Group results from operating activities

The Group's result from operating activities for the period under review was Rs.416 million.

Group profit before tax

The Group's ordinary activities resulted in a profit before tax of Rs.349 million for the financial year ended 31 March 2017 as given hereunder:

	Group	
	Year ended 31 March 2017 Rs. Million	Year ended 31 March 2016 Rs. Million
Profit from operating activities	416.4	409.8
Less : Net financing costs	(67.4)	(7.9)
Profit before taxation	349.0	401.9

Group Total Comprehensive Income

The total comprehensive income of the Group after adjusting for taxation and non-controlling interests for the financial year ended 31 March 2017 was Rs.246.21 million and is shown in the following analysis :

	Group	
	Year ended 31 March 2017 Rs. Million	Year ended 31 March 2016 Rs. Million
Group profit from operating activities	416.44	409.79
Less : Net financing costs	(67.37)	(7.87)
Group profit before taxation	349.07	401.92
Tax expense	(111.94)	(123.40)
Group profit after taxation	237.13	278.52
Other comprehensive income	10.06	6.61
Group total comprehensive income	247.19	285.13
Non-controlling interests	(0.98)	6.46
Equity holders of the Parent Company	246.21	291.59

OVERALL PERFORMANCE

C. W. MACKIE PLC (Parent Company)

The Company's net revenue in the financial year ended 31 March 2017 was Rs.8,162.7 million. The profit from operating activities was Rs.431.6 million and the profit for the year, after charging income tax of Rs.112.7 million, was Rs.265.1 million.

C. W. MACKIE PLC (Group)

The Group's consolidated net revenue for the financial year ended 31 March 2017 was Rs.8,837.4 million as compared with Rs.7,859.6 million in 2016. The major contribution towards the consolidated net revenue was from FMCG sales and distribution activities of Rs.3,275.4 million an increase of 19.6% as compared with the previous year.

The results from operating activities was Rs.416.4 million and the net profit for the period, after charging income tax of Rs.111.9 million, was Rs.237.1 million.

The consolidated Group comprehensive income for the year, after charging income tax of Rs.111.9 million, was Rs.237.1 million as compared with Rs.278.5 million in 2016.

Overall the internal trading activities of the Group contributed 80% of the profit for the period with Hempel brand marine paints, sugar trading and the FMCG segment contributing the most. Even under the challenging external business environment that prevailed during the year, the Company maintained an acceptable level of profitability this year as well, despite subsidiary company losses that eroded overall profitability.

Internal Trading

The internal trading activities of the Group is the fastest growing segment of the Group's business with the FMCG segment, sugar trading and the sale and distribution of Hempel brand marine paints having the greatest potential for expansion.

Fast Moving Consumer Goods (FMCG)

The manufacture, sale and distribution of FMCG is the most profitable segment of the internal trading activities of the Company. Sales turnover was Rs.3,275.4 million, as compared with Rs.2,739.6 million in 2016, and profit Rs.170.7 million. The turnover of Rs.3,275.4 million is the highest ever sales achieved from FMCG upto now.

Sales of Sunquick range of fruit squashes contributed Rs.1.6 billion towards revenue on sales of 2.6 million litres.

Sunquick is the brand leader in the fruit squash category, and the Company has entered into a joint venture agreement with Co-Ro A/S, Denmark for the purpose of manufacturing, processing and marketing Co-Ro products in the form of concentrates and Ready-to-Drink (RTD) products marketed under the "Sunquick" brand.

For the purposes of the joint venture, two limited liability companies, Sunquick Lanka (Private) Limited (Company 49% : Co-Ro 51%) and Sunquick Lanka Properties (Private) Limited (Company 51% : Co-Ro 49%) will own the land and buildings on which Plant is situated to be leased to Sunquick Lanka.

The joint venture project envisages an investment of Rs.1.1 billion jointly.

CWM's contribution towards the joint venture will be mostly in kind, i.e. land, buildings, machinery and inventories and Co-Ro in cash.

The joint venture with Co-Ro has potential to be financially beneficial to the CWM in the medium to long term.

Sugar

The Company traded 24,600 MT of sugar and achieved a turnover of Rs.2.6 billion in sales and realized a net profit of Rs.33.4 million. Sales were principally to industrial users in the confectionery, dairy, fruit juice and carbonated drinks category.

The Company does not operate in the wholesale trade because of high credit risk associated with open market operations.

The Company was able to maintain sales at about the previous year's level under conditions of rising global sugar prices, which eroded margins and put profits under pressure. Profits from sugar trading was Rs.33.4 million, as compared with Rs.41.5 million in 2016 and reflects the difficult market conditions that prevailed throughout the year.

Frequent Government intervention in adjusting the import duty on sugar, de-stabilized the market, with importers and distributors having frequently take a "hit" resulting from sugar price adjustments.

Industrial Products

Refrigeration and air-conditioning components (R&AC) business was segregated from the other Industrial Products

Chairman/Chief Executive Officer's Review (Contd.)

and a separate R&AC Division established in the year 2016/2017.

The Industrial Products segment is now engaged only in the import and sale of welding products, engineering items, energy generating machinery (generators) and factory machinery.

However, low margins on machinery sales and high financing costs due to poor credit management impacted adversely on the business and resulted in a net loss of Rs.5.4 million for the year.

Plans to expand machinery sales by introducing industrial machinery to the dairy and construction industries did not fully materialize and expanding into this segment is now on hold pending a restructuring of the management of the industrial products business.

The repair and service facility established to provide after sales services for the repair and maintenance of the current range of machinery and equipment marketed by the Company has been expanded to assemble air-conditioning components imported in knocked down condition. The outlook for this type of value addition looks encouraging and will be pursued vigorously.

Refrigeration and Air-Conditioning Components (R&AC)

The R&AC business has shown significant growth since this line of business was segregated from the industrial products segment in April 2016.

Sales for the period was Rs.145.4 million, as compared with Rs.112.7 in 2015/2016 and profit increased to Rs.20.8 million for the year.

Several new initiatives to expand the R&AC business is been pursued and the prospect of R&AC becoming a major profit centre in the future is most encouraging.

Marine Paints

The marine paints and protective coatings business under the world renowned Hempel brand produced very impressive sales and profit growth during the year under review.

Revenue grew upto Rs.404.2 million on sales of 343,200 litres and net profit for the year was Rs.81.2 million. This is the highest ever sales and profit achieved upto now.

The impressive sales and profit growth is the outcome of a project jointly handled by the Hempel Agency in Sri Lanka in collaboration with Hempel Paint Industries in India to supply Hempel marine paint products to three supply vessels being built by Colombo Dockyard Sri Lanka.

The new building project is scheduled to be completed by July 2017.

In addition to supplying marine paints to the ship building and repair industry, Hempel protective coatings are also supplied to the telecommunication service sector, hydro-electricity power plants, petroleum industry storage tanks, highway construction projects and for refurbishing sluice gates of irrigation tanks. This diversification strategy has helped grow sales in a highly competitive market and future growth will largely depend on diversifying into other segments where there is scope for expansion and for pursuing projects in the ship building and ship repair industries.

Export Trading

It has been a difficult year for our commodity trading business, natural rubber (NR) and desiccated coconut (DC). The global demand for NR has been weak as international prices have been much lower than Sri Lanka prices. Also, in recent years the trend has been that over 75% of NR output in Sri Lanka has been consumed by local rubber based products manufacturers for export and sale locally. The exportable surplus has correspondently diminished.

In the case of DC, increasing demand for coconuts for domestic consumption continued to make less nuts available to the processers of DC resulting in lower quantities for export. Efforts to revive the export of spices have been limited to occasional orders for cinnamon to South and Central America.

The Company's export trading business has been downsized to be compatible with the national out put of NR and DC and global demand for these commodities.

Natural Rubber (NR)

The low prices of NR that prevailed since 2013 continued during most of the year under review.

Total output dropped to 79.1 million Kgs. recording for the fifth consecutive year declining volume, largely because smallholders ceased tapping due to un-remunerative prices. This decline in NR output combined with lower international prices resulted in local rubber products manufacturers importing NR from other origins.

Decline in international demand for NR was a major factor that influenced domestic prices to drop. The average price of TPC grades was Rs.282/- per Kg. and for RSS grades Rs.242/- per Kg.

The Company's exports and local sales to domestic rubber products manufacturers was 3,440 Kgs. (2015/2016-3,749 Kgs.) and realized a gross trading profit of Rs.70.1 million, compared with Rs.113.5 million in 2015/2016.

Low international prices made trading conditions difficult because Sri Lanka prices for TPC and RSS grades and Technically Specified Rubber (TSR) were higher than international prices. The reason for this is that local rubber products manufacturers were offering higher prices for RSS and latex grades than could be secured trading in the international market. This made Sri Lanka prices uncompetitive and resulted in a challenging situation to secure export business. As a countervailing strategy the Company is now trading NR in the local market. Sales to domestic rubber product manufacturers in the year 2016/2017 was 20% of the Company's total sales.

Desiccated Coconut (DC)

The total output of coconuts in 2016 is estimated at 2.8 billion nuts. It is also estimated that the domestic consumption of coconuts in 2016 was about 2.0 billion nuts thus leaving only about 800 million nuts for processing into other coconut products. This has resulted in sizeable quantities of other vegetable oils being imported to supplement coconut oil.

The average farm gate price of fresh coconut was about Rs.28/- per nut and the average price of DC in 2016/2017 was Rs.228/- per Kg.

The average export price of DC in 2016/2017 was Rs.2,078/- per MT and at this level US$ 300-400 per MT higher than other origins.

This significant disparity in price trends adversely impacted on Sri Lanka's capacity to generate more DC exports in 2016/2017.

The Company exported 2,100 MT of DC during the year and realized a gross trading profit of Rs.21.6 million.

The Government of Sri Lanka has been considering opening up the DC industry to foreign investment and to allow the import of fresh coconuts for processing DC.

In the event that the policy materializes, traditional Sri Lanka exporters will have greater access to bigger quantities of DC for export.

"The marine paints and protective coatings business under the world renowned Hempel brand produced very impressive sales and profit growth during the year under review."

Subsidiary Companies

Ceymac Rubber Company Limited

The global decline in Natural Rubber (NR) prices impacted adversely on the Company's capacity to secure business for it's Technically Specified Rubber (TSR).

The average price of TSR of other origins was about US$ 300-400 per MT lower than TSR of Sri Lanka origins and because of this significant disparity in price, it was difficult to secure export orders and TSR sales during the year was almost entirely to local manufactures of solid tyres.

The Company manufactured 1,240.7 MT of TSR during the year. The total sales of TSR for the year was 1,293.3 MT and resulted in a gross trading loss of Rs.807,000/-.

This situation was somewhat countervailed by the export of sole crepe at remunerative prices. The exports of sole crepe for the year was 524.3 MT and produced a gross trading profit of Rs.30.1 million.

During the year under review, the Company carried out a major refurbishment of its TSR manufacturing machinery and the TSR factory buildings which were run down for many years due to mounting losses. The cost of the repairs and maintenance works significantly impacted on TSR profitability.

The cumulative gross trading profit from the sales of TSR and exports of sole crepe was insufficient to absorb operational costs and resulted in a net loss for the year of Rs.19.3 million.

Chairman/Chief Executive Officer's Review (Contd.)

Ceytra (Private) Limited

The Company's manufacturing operations are confined to the production for export and sale locally of moulded rubber products.

Sales for the year was 276.5 MT and the net profit Rs.8.6 million.

As the prospects of expanding its export trade is constrained by pricing factors, the Company is concentrating on growing its business by penetrating the domestic market where there is considerable demand for locally made moulded rubber products in the household and automobile parts trade.

> *"It is planned for implementation in the foreseeable future, a Human Resource Information System (HRIS). Under this system all HR functions will be computerized and information relating to all HR functions will be readily accessible to the Management. Steps have been initiated to introduce this system which is expected to strengthen the management of the Group's HR functions."*

Kelani Valley Canneries (Private) Limited (KVC)

The Company manufacturers a wide range of food and beverage (F&B) products, which is mostly distributed in the local market under the KVC brand.

However, distributing its products in the local market is constrained due to the high level of competition that prevails from other local F&B brands.

The strategy is, therefore, to pursue growth through exports, where there is considerable potential to expand the business. Already small orders are being exported to Canada, Australia and Dubai. Japan and Germany have been identified as markets that could be exploited,

The possibility of packaging F&B products under other proprietary brands for a fee is also being explored and this has been started in a preliminary way and will be pursued, as it also enables gainful utilization of surplus capacity.

Finance

Bank borrowings is the principal source of funds for financing the Group's working capital requirements. The Group also utilizes internally generated funds surplus to requirements for working capital and to that extent have been drawing less funds from banks. This has been possible due to a prudent treasury management of the Group financial resources.

The Group does not carry any major long term debt and capital expenditure is financed out of internally generated funds.

The financing cost for the year, net of foreign exchange gains was Rs.67.4 million. During the year on an average, the Sri Lanka rupee depreciated against the US$ by 3% and appreciated against the Euro by 3%.

The interest rate on bank borrowings on an average was 11.5% per annum and the interest rates offered by the consortium of banks did not reflect any significant differentials and was mostly uniform and consistent.

The Group's profit is liable to tax of Rs.111.9 million for the year ended 31 March 2017.

The parent company has no carried forward tax losses, but subsidiary companies, Ceymac Rubber Company Limited has a carried forward tax loss of Rs.105.7 million, Ceytra (Private) Limited a carried forward tax loss of Rs.53.4 million and Kelani Valley Canneries Limited a carried forward tax loss of Rs.245.0 million.

Information Technology (IT)

C. W. Mackie PLC implemented the System Application Products (SAP) system, one of the world's most renowned Enterprise Resource Planning (ERP) software. The implementation process (Go Live) was carried out in two stages, first in the subsidiary companies in August 2016 and second in the parent company in September 2016.

The system is now fully operational throughout the Group. SAP is the market leader in enterprise software and its ERP package enables companies to implement industry specific best practices for finance, procurement, sales, manufacturing, planning, quality control etc. virtually covering every aspect of the business with very tight integration across all the processes.

Industrial Relations

The industrial relations environment in all companies within the Group was stable and employees at all levels co-operated with the Management in maintaining a cordial relationship.

The reorganization of the Group Human Resources (HR) function under a Group Human Resource Manager has resulted in a more efficient HR administration focused on compliance with the regulatory system and fostering a sound and stable relationship between the Management and the staff.

A major objective of the Group Human Resource Policy is to attract, develop and retain a skilled workforce. To achieve that, well-structured processes are in place to identify critical employees and retain them in the long term.

It is planned for implementation in the foreseeable future, a Human Resource Information System (HRIS). Under this system all HR functions will be computerized and information relating to all HR functions will be readily accessible to the Management. Steps have been initiated to introduce this system which is expected to strengthen the management of the Group's HR functions.

Outlook

The economy is forecast to grow by 4.2% in 2017/2018. The balance of payments heavily burdened by repayment of foreign debt and debt servicing costs and a large trade deficit is likely to improve with the receipt of the second tranche of the IMF loan, increased receipts from tourism, and expatriate remittances, less imports of consumer goods and low oil prices. The position could further improve depending on foreign fund inflows by way of foreign direct investments and a lower trade deficit as a result of export growth. The re-instatement of GSP Plus facility is likely to boost exports to EU countries and result in narrowing the trade deficit, currently a major burden on the balance of payments.

Interest rates which have risen in 2016/2017 is likely to rise above prevailing levels unless the current fiscal deficit is contained. Inflation will also rise, but still likely to remain at a single digit.

The main driver of the Company's profitability has been the internal trading activities, with the FMCG category contributing most to profits. This trend will be maintained in 2017/2018 with several new products planned to be launched during 2017/2018.

Manning levels as at 31 March 2017 are given below:-

				Total	
Company	Managerial/ Executives	Non Executives	Manual Operatives	As at 31 March 2017	As at 31 March 2016
C. W. Mackie PLC	83	207	67	357	328
Ceymac Rubber Company Limited	6	29	87	122	138
Ceytra (Private) Limited	3	05	30	38	39
Kelani Valley Canneries Limited	11	12	42	65	66
Group Total	103	253	226	582	571

Dividend

The Directors recommend to the shareholders at the Annual General Meeting a first and final dividend of Rs.3/50 per share amounting to Rs.125.96 million out of the profits for the year ended 31 March 2017 in accordance with the provisions of the Companies Act No.7 of 2007.

In the background of rising cost of FMCG due to high fiscal duties and the depreciation of the Sri Lanka rupee against the US$ and Euro, the strategy on expansion is to introduce more locally manufactured food and beverage products for distribution in the domestic market. In the year 2016/2017 several new products in the bakery range, produced mostly out of local ingredients have been launched.

The Company's internal trading activities are expected to deliver a strong result, with the FMCG segment contributing a major portion of the profit for 2017/2018.

Chairman/Chief Executive Officer's Review (Contd.)

"However, there is considerable potential to export food and beverage products manufactured by Kelani Valley Canneries Limited. (KVC).

The strategy is to penetrate the export market and grow the business given that there are growth constraints relying on the domestic market."

The outlook for the Company's commodity trading activities is not at all encouraging. The decline in the output of Natural Rubber (NR) in recent years and due to the fact that 75% of the country's NR output is consumed by the domestic rubber products manufacturers, there is now less NR for export. Exports of NR, at one time the core business of the Company, has diminished due to the lack of foreign demand and high prices vis-à-vis global prices.

The Government of Sri Lanka (GOSL) has validated a Rubber Industry Master Plan (RI Master Plan) developed by the private sector rubber industry in partnership with the public sector as the National Agenda for rubber industry development. The GOSL has allocated Rs.100.0 million in the National Budget towards the implementation of the RI Master Plan and a Rubber Secretariat is been setup to be manned jointly by the private sector rubber industry and the Ministry of Plantation Industries to implement the projects envisaged in the RI Master Plan. The Master Plan envisages projects to increase the output of NR, enhance productivity through skills development, promote rubber-based manufacturing industries and a host of other projects to develop the Sri Lanka rubber industry in a sustainable manner.

The dry weather condition that prevailed during the fourth quarter of 2016 is expected to reduce the output of coconuts in 2017 and with the increasing domestic consumption of coconuts there will be less nuts available to the processors. In this background the DC industry is not expected to expand unless the GOSL allow the import of fresh coconuts for processing DC for export.

The outlook for the rubber products manufacturing sector will be extremely challenging. The demand for TSR would depend on local and international prices. Even orders from local tyre makers is doubtful under the current pricing regime for TSR as they find it more economical to import TSR rather than to source locally manufactured TSR.

Imports of NR for local value addition is currently permitted, but the outlook for expanding TSR sales to the domestic tyre manufacturing industry would depend on whether the GOSL will intervene to restrict imports of rubber.

The outlook to increase the export of moulded rubber products is constrained by international prices for similar products which are lower than moulded products from Sri Lanka.

The future, therefore, depends on manufacturing moulded products for the domestic market. Manufacturing moulded products for the domestic market is already being done and the strategy is to expand this segment by collaborating with other local manufacturers that are compelled to outsource production due to cost or capacity constraints.

At present the installed capacity to manufacture moulded products is limited. Any expansion of manufacturing capacity would depend on the demand for moulded rubber products.

The domestic market is saturated with numerous brands of F&B products and price competition is overwhelming. This is inhibiting expanding sales profitably.

However, there is considerable potential to export food and beverage products manufactured by Kelani Valley Canneries Limited. (KVC).

The strategy is to penetrate the export market and grow the business given that there are growth constraints relying on the domestic market.

Acknowledgements

My colleagues on the Board provide able guidance, direction and co-operation enabling me to conduct the Company's affairs in the best interest of all stakeholders, which I acknowledge sincerely with deep gratitude. The expertise and wide experience of the Board, comprising high caliber business leaders and professionals, adds considerable value to the deliberations of the Board and ensures a proper balance of executive competency and independent judgment.

I wish to express my appreciation to our highly competent and committed management team and staff at every level that has helped achieve the result for the year under very challenging and competitive conditions.

I thank our valued trade customers, suppliers, agents, distributors, bankers, auditors, business partners, advisors and all other stakeholders of the business for their continued and willing support over the years.

The continuing confidence of our shareholders in our ability to deliver a fair return on their investment is, as always, acknowledged with much appreciation.

W. T. Ellawala
Chairman/Chief Executive Officer

Colombo
30 May 2017

Board of Directors

Mr. W. T. Ellawala
Chairman/Chief Executive Officer

A Director since 24 November 1995 and Chairman/Chief Executive Officer from 1 July 2002. An Economics Graduate, he worked for Brooke Bond Ceylon Ltd. from 1962 to 1987 and was a director of that company for 17 years. Commercial Director, Ceylon Trading Company Limited since 1988 and Managing Director since December 2000. Currently a director of Maersk Lanka (Private) Limited, the Chairman of The Sri Lanka Society of Rubber Industry and a past Chairman of The Colombo Rubber Traders' Association and The Sri Lanka Shippers' Council. He is an Honorary Member of The Colombo Tea Traders' Association and President & Trustee of the Singhalese Sports Club. Is a former member of the Committee of the Ceylon Chamber of Commerce and Chairman of its Advisory Council. He was a former Advisor to the Ministry of Ports & Shipping and served as a Consultant on Sea Transport at UN-ESCAP in Bangkok, Thailand.

Ms. C. R. Ranasinghe
Company Secretary

A Director from 14 June 2002. Is also the Company Secretary. An Attorney-at-Law by profession. With the Group since October 1999 on retirement as a Partner of Messrs. Julius & Creasy, Attorneys-at-Law & Notaries Public. She is also Director-Corporate Affairs and Company Secretary of Ceylon Trading Company Ltd.

Deshabandu A. M. de S. Jayaratne
Non-Executive/Independent Director

A Director from 23 May 2007. He holds a Degree in Economics from the University of Southampton in England and is a member of the Institute of Chartered Accountants of England and Wales and The Institute of Chartered Accountants of Sri Lanka. He is a former Chairman of Forbes & Walker Ltd., the Ceylon Chamber of Commerce and Colombo Stock Exchange. Also served as Sri Lanka's High Commissioner in Singapore. Currently he serves on the Boards of several public companies.

Mr. R. C. Peries
Non-Executive Director

A Director from 1 April 2010. Having started his career with Carson Cumberbatch & Co., he then moved to George Steuarts, one of the premier Agency Houses. He has served as Manager of some of the most prestigious rubber properties in the low country and also held senior appointments in the industry and served on the Rubber Research Board Advisory Panel. In 1983 he was appointed the Regional Director of the JEDB Hatton Board and in 1988 he was made Director General of Kegalle-Avissawella Zone of the JEDB. In 1992, after the privatisation of the management of plantations, he joined George Steuart Plantation Management Services as the General Manager of low country rubber estates of Kotagala Plantations. He continued to serve in this position even after the takeover by Lankem Tea & Rubber Plantations (Pvt.) Ltd. (LT&RP) in 1995 as Managing Agents for Kotagala Plantations. He was appointed to the directorate of LT&RP in 2002 and to the Board of Kotagala Plantations PLC (KP) in 2005 and is presently a Director/Consultant of LT & RP, KP and Agarapatana Plantations Ltd. He is also a member of the Rubber Research Board and a member of the Rubber Wages Board. He is a member of the Ceylon Institute of Planting.

Mr. Anushman Rajaratnam
Non-Executive Director

A Director from 1 April 2010. He was appointed to the Board of Lankem Ceylon PLC as Deputy Managing Director in 2005 and appointed Managing Director in April 2009. He has spent several years working overseas as a Consultant for a leading accountancy firm. He also serves on the Boards of several subsidiaries of the Lankem Group. He holds a Bachelor of Science in Economics from University of Surrey, UK and MBA from Massachusetts Institute of Technology, USA.

Mr. S. D. R. Arudpragasam

Non-Executive Director

A Director from 1 April 2010. He is a Fellow of the Chartered Institute of Management Accountants, London. He serves as Chairman of several subsidiaries of The Colombo Fort Land & Building PLC and holds the position of Deputy Chairman of The Colombo Fort Land & Building PLC and Lankem Ceylon PLC. He also functions as the Managing Director of E.B. Creasy & Company PLC, in addition to serving on the Boards of other Companies within The Colombo Fort Land & Building Group.

Dr. T. Senthilverl

Non-Executive Director

A Director from 3 May 2010. He counts over four decades of active engagement in manufacturing, trading, land development, power and energy sectors, industrial turnkey projections, construction and management. He currently serves on the Boards of several public, public listed and private companies.

Mr. H. D. S. Amarasuriya

Non-Executive/Independent Director

A Director from 22 February 2011. He brings to C. W. Mackie PLC an impressive range of management, industrial, marketing and business skills from his tenure as Chairman of the industrial and retailing conglomerate Singer Group, and his experience on the Boards of companies such as Regnis Lanka, National Development Bank PLC and Bata Shoe Company of Ceylon. He also brings with him substantial experience in international management as a former Senior Vice President of Singer Asia Limited, Retail Holdings Limited, USA and Chairman of the Singer Worldwide Business Council. An Accountant by profession, he is a former Chairman of the Employer's Federation of Ceylon, First President of the Chartered Institute of Marketing-Sri Lanka Region. Presently he serves as Chairman of the Industrial Service Committee-Southern Province of the Ministry of Industries & Commerce, Sri Lanka Insurance Corporation Limited and Canwill Holdings (Pvt.) Limited, the property owning company of Grand Hyatt, Colombo and serves on the Boards of several public, public listed and private companies.

Received the life time award of excellence from the Institute of Chartered Accountants in 2011 and was selected CIMA Business Icon for 2013 by the Chartered Institute of Management Accountants in 2013.

Mr. K. T. A. Mangala Perera

Executive Director

A Director from 2 April 2012. He is a graduate from the University of Sri Jayawardenepura with a degree in B.Sc. (Hons.), Marketing Management (Special) Degree and a post graduate diploma in Business & Financial Administration from the Institute of Chartered Accountants Sri Lanka. He possesses more than 18 years experience in branding, marketing and general management functions, both local and overseas. A one-time visiting lecturer at the Management Faculty of the University of Sri Jayawardenepura, he is also a fellow member of the Australian Sales and Marketing Association. He is the immediate Past President of the Mercantile Volleyball Association of Sri Lanka. He currently serves as Executive Director-Internal Trading of C. W. Mackie PLC.

Mr. Alagarajah Rajaratnam

Non-Executive Director

A Director from 27 June 2012. He serves as Chairman of The Colombo Fort Land & Building PLC (CFLB) and several listed companies within the CFLB Group in addition to holding other Directorships within the Group. Mr. Rajaratnam is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

Group Management

E. A. Anura K. Edirisinghe

Chief Operating Officer-Export Division

Anura is the Chief Operating Officer of the Exports Division and also a Director of the subsidiary companies, Ceymac Rubber Company Limited and Ceytra (Private) Limited. He joined the Company in 1976 as a Management Trainee and over the years held executive and managerial positions in rubber trading. Presently he heads the Exports Sector. He has over 42 years of work experience in the field of Natural Rubber Trading internationally and in the local market. He holds a certificate in business studies from Central London College, U.K. and also Diploma in Business Management from National Institute of Business Management, Sri Lanka. He is a Fellow Member of Chartered Management Institute, U.K. and also Full Member of the Institute of Exports, U.K.

G. Anura de Silva

Director/Chief Operating Officer-Ceytra (Private) Limited and Ceymac Rubber Company Limited

Anura is a Director and Chief Operating Officer of Ceytra (Private) Limited and Ceymac Rubber Company Limited, subsidiary companies. He has over 36 years experience in raw rubber and rubber products manufacture. He is a visiting Lecturer at the Plastics & Rubber Institute and National Institute of Plantation Management. He holds a Diploma in Rubber Technology from University of Moratuwa and Licentiate from Plastics & Rubber Institute (LPRI), U.K.

B. A. F. Gerard Suares

Chief Financial Officer

Gerard joined the Company in 2014. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka, The Institute of Certified Management Accountants of Sri Lanka and The Association of Accounting Technicians of Sri Lanka. In addition he holds a MBA from the University of Wales, U.K. He has over 26 years experience in the field of auditing and finance in retail, manufacturing and finance sectors.

T. A .P. Silva

Chief Operating Officer-Consumer Products Manufacturing

`Taps' as Chief Operating Officer-Consumer Products Manufacturing overlooks Scan Bottling Plants and Kelani Valley Canneries Limited, subsidiary company. He has over 26 years of experience in the field of FMCG manufacturing Sector. He holds a Masters Degree in Business Administration (MBA) from the Cardiff Metropolitan University, U.K. and a Bachelor's Degree in Science (B.Sc. Hons.) from the University of Colombo.

N. Jerome P. Jayasinghe

Chief Operating Officer-Sales & Marketing-Scan Products Division

Jerome is the Chief Operating Officer-Sales & Marketing of Scan Products Division. He joined the Company in 2010 as Assistant General Manager-National Sales and presently heads the sales and distribution activities of Scan Products Division. He has over 24 years of work experience in the field of Brand Marketing & Sales Management locally and internationally. He holds a Masters Degree in Business Administration (MBA) from the Cardiff Metropolitan University, U.K.

Cosmas M. Ockersz

General Manager-Warehousing

Cosmas as General Manager-Warehousing, overlooks the warehouses of Scan Products, Industrial Products, Refrigeration & Air Conditioning, Hempel Marine Paints and Sugar Division. Joined the Group in 1979 as a Management Trainee and has held positions during his tenure of service overlooking several divisions. He has over 36 years of experience in the field of Commercial (Imports & Exports), Marketing & Sales and Logistics/Warehousing. Cosmas holds Certificate (Part 1 & 11) in the Chartered Institute of Marketing, U.K. and Certificate of Personal Management at the Institute of Polytechnic.

Raveendra Marambage

General Manager-Finance

Raveendra is General Manager-Finance of Corporate Finance Division. He joined the Company in 2001 as a Management Trainee and held several executive and managerial positions in finance, including Internal Auditor. He has over 13 years of experience in the field of Audit/Finance. He holds a B.Sc. HRM (Special Degree) from University of Sri Jayawardenepura, Associate Member of Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka.

N. M. Chaminda Nawaratne

General Manager-Sugar Division

Chaminda is the General Manager-Sugar Division. He joined the Company in 1996 as a Management Trainee and has held several executive and managerial positions during his tenure of service, presently heading the Sugar Sector. He has over 21 years of experience in the field of exports of commodities and import of sugar for sale locally. He holds a Bachelor's Degree in Science (B.Sc.) from University of Peradeniya, Diploma in Marketing Management and a Diploma in Personal Management from National Institute of Business Management (NIBM) Sri Lanka.

W. Chinthaka K. Indrapala

General Manager-Hempel Division

Chinthaka joined the Company in 1998 as Technical Sales Executive and currently heads the Hempel Division as General Manager. He has over 18 years of experience in the field of Marine Paints. He holds a Bachelor's Degree in Science (B.Sc.) in Chemical Engineering from the University of Moratuwa. He also holds qualification of CIP Level-3 certification from the National Association of Corrosion Engineers (NACE), USA.

Saketha P. Jayasinghe

General Manager-Management Information Systems

Saketha is the General Manager, Management Information Systems of the Company's Management Information Systems Department. He joined the Company in 1996 as a Management Trainee and held executive and managerial positions. Presently heads the Information Technology Sector. He has 21 years of experience in the field of Information Technology. He holds a Bachelor's Degree in Science (B.Sc.) and Masters of Information Technology from the University of Colombo.

Nalin B. Jayasinghe

General Manager-Produce Trading

Nalin joined the Company in 1984 as a Management Trainee and has held several executive and managerial positions. He has over 33 years of experience in the fields of manufacturing, logistics, import and export trading. He was a former Chairman of Coconut Products Traders' & Manufacturers' Association. He has served as a Committee Member of the Sri Lanka Shippers' Council, Exporters' Association of Sri Lanka and the Asia Pacific Coconut Community. He holds a Diploma in Marketing Management from the National Institute of Business Management (NIBM) Sri Lanka.

Our Strong Brands

“Sunquick”, a Danish origin multinational fruit squash brand available in more than 100 countries around the globe. Sunquick’s association with C. W. Mackie PLC is more than 37 years and today, it is the category leader in squash and cordial market and enjoys 70% market share.

“Danfoss” is a world renowned Danish brand in the refrigeration and air-conditioning industry, products ranging from high quality refrigeration and air-conditioning equipment, components and accessories; industrial automation components; compressors and condensing units with energy savings solutions. C. W. Mackie PLC is the sole authorised importer/distributor for “Danfoss” brand products in Sri Lanka.

“Hempel” is a world leading trusted Danish brand for paints and coatings in all related segments in the marine, container, decorative and protective coatings industry. C. W. Mackie PLC is the sole distributor in Sri Lanka and in Maldives for “Hempel” brand for over 30 years.

“Scan Jumbo” is another proprietary brand of C. W. Mackie PLC and leader in its particular category enjoying 65% market share. Scan Jumbo Peanut is packed under our own label of ‘Scan”. The peanuts from China are carefully chosen larger in size and the product is processed and packed under very strict hygienic conditions.

“SCAN” Bottled Drinking Water ultra-premium purified drinking water is a premium and the cleanest known bottled water brand in Sri Lanka. Scan Water is manufactured and bottled at the state-of-the-art bottling plant in Horana.

Scan Water is certified as ISO 9001:2008 and ISO 22000:2005 besides SLS. It is also certified by the Ministry of Health for Quality Management Systems and Food Safety Management Systems, such as HACCP and GMP.

"Kotagala Kahata" is a fine blend of Ceylon teas with high quality taste, strength and aroma and packed under our own label. C. W. Mackie PLC introduced Kotagala Kahata to the Sri Lankan market in 2012 and within a short span of time, today it has become one of the biggest dust tea brand in Sri Lanka.

"Mosa" is an Italian brand in the production of machines that accommodate the needs of the power generation, production and welding sectors. C. W. Mackie PLC is the sole authorised importer/distributor for "Mosa" brand products for welding equipment, light towers and power generators in Sri Lanka.

"Star" brand is owned by International Flavours and Fragrances, USA, the world's leading flavour and fragrance creator and market Innovator. We distribute a range of unique 7 essences and 4 colours for savoury, sweets, beverage and dairy industries. C. W. Mackie PLC is the local distributor for "Star" brand for over 20 years.

"Telwin" is an Italian brand pioneer in welding supplies offering a wide range of quality welding machines and accessories for the welding and engineering industry. C. W. Mackie PLC is the authorised importer in Sri Lanka for "Telwin" brand MIG, TIG, manual arc, spot welding equipment, plasma cutters and battery chargers in Sri Lanka.

"N-Joy" takes pride in being the market leader in white coconut oil brands in Sri Lanka to be certified by the Sri Lankan Standards Institution (SLSI). N-Joy does not go through any physical/chemical refining, bleaching or deodorizing process. C. W. Mackie PLC has been associated with N-Joy since 2012.

Our Strong Brands (Contd.)

“KVC” is a trusted brand in the manufacture and export industry for processed tropical fruits and vegetables ranging from jams, sauces, cordials, nectars, fruit juices, pulps to canned fruits and vegetables to chutneys, pickles, pastes, creams, brines, sambols and treacle. KVC is a household brand in Sri Lanka.

“Ocean Fresh” Tuna, another proprietary brand of C. W. Mackie PLC, comes from Thailand in 5 healthy and delicious varieties namely, Tuna Chucks in Sunflower Oil, Tuna Chunks in Soybean Oil, Tuna Chunks in Olive Oil, Fat Free Tuna and Tuna Spread. With the launch of “Ocean Fresh” brand to the Sri Lankan market, C. W. Mackie PLC was able to split the traditional canned fish market by up-lifting quality parameters.

“Forest Farm” is another proprietary brand of C. W. Mackie PLC and the latest addition to the brand portfolio in respect of canned vegetables. Product range consist of baked beans, kidney beans, button/straw mushrooms, corn cream, sweet corn, young corn and baby corn supplied to the HORECA (Hotels, Restaurants and Catering) sector and modern trade sectors. Forest Farm products are processed under internationally advanced processing techniques and equipment and have obtained HACCP Food Safety Management System Certification and International Food Certification (IFC).

“Delish” is also another newly added proprietary brand to the FMCG range of products of the Company comprising of jelly crystals, custard powder, corn flour, gelatine and icing sugar and is another significant milestone of the Company’s history where we explore an untouched area in the FMCG product portfolio in the category of bakery and confectionery items.

Delish manufacturing and processing plant is located at Industrial estate, Horana. Delish jelly crystals follow an internationally accepted recipe and manufactured adhering to a stringent quality control process.

Awards

Refrigeration and air-conditioning Division won the "Champion of Champions" award in the Indian Region at the Best Performing Distributor Awards for 2016 from Danfoss Industries (Pvt) Ltd, India.

MANAGEMENT DISCUSSION AND ANALYSIS

"In the year under review, the Company took a strategic decision to establish the foundation for its growth over the next three years. A three year plan was designed accordingly, to enhance the profitability of all sectors by streamlining operations as well as to explore new avenues and channels of business."

Business Overview

Performance

It was another good year for C.W. Mackie PLC with the Company experiencing a comfortable top-line growth of 9% despite challenging market conditions. Almost all sectors posted profits, although some sectors did not perform as well as expected due to market uncertainties beyond our control, while other sectors performed better than expected, despite difficult market conditions.

The Group achieved a consolidated net revenue of Rs.8,837.3 million for the current financial year, compared with Rs.7,859.6 million achieved the previous year. Net profit after tax for the period was Rs.237.1 million.

The Company's internal trading sector recorded the best performance during the year, contributing 80% to total profits. The FMCG and marine paints sectors made the highest contributions to growth of 49% and 22% respectively. The remaining five sectors made up the balance 29%. The FMCG sector, the main contributor to growth, recorded Rs.3,275.4 million sales turnover from enhanced manufacturing, sale and distribution activities. This was an increase of 19.6%, when compared with the previous year's figure of Rs.2,739.6 million, which achieved a net profit of Rs.170.7 million.

The marine paints and protective coatings business also posted a robust performance in the year, the highest recorded to date and achieved impressive sales and profit growth from the supply of marine paint products for the construction of three ships at the Colombo Dockyard. The sector supplied 343,200 litres of marine paints that netted a revenue of Rs.404.2 million and achieved a net profit of Rs.81.2 million.

Another area of growth was the refrigeration and air-conditioning components sector, which was divested from the industrial products sector in April 2016. This new sector achieved sales of Rs.145.4 million during the year under review, compared with the previous year's result of Rs.112.7 million and increased profits to Rs.20.8 million.

Joint Venture

The Company's flagship brand 'Sunquick', is being further enhanced through a joint venture with its principals, Co-Ro A/S of Denmark, to enter the ready Ready-to-Drink (RTD) product market at a joint investment of Rs.1.1 billion.

Local and Global Framework

Import prices went up in Sri Lanka as a result of the policy framework and tax regime of the Government, which resulted in the depreciation of the Rupee and the increase of VAT. These two factors had a negative impact on the Company's profitability as the devalued Rupee caused a rise in the prices of raw material imports and the increased taxes raised the prices of local raw materials by a composite 5%.

It was an uncertain year for the global economy too. The year began with the prices of crude oil plummeting due to disparities between demand and supply in oil markets worldwide. At the year-end, however, oil prices recovered as a result of initiatives taken by OPEC and the oil market has been making a sustained recovery in the first quarter of 2017.

It was a roller coaster ride for global commodity markets as well, which reacted sharply to a series of events that included economic instabilities and geopolitical tensions as well as natural disasters like fires, floods and droughts in the countries of some key commodity suppliers.

Our Strategy for Growth

In the year under review, the Company took a strategic decision to establish the foundation for its growth over the next three years. A three year plan was designed accordingly, to enhance the profitability of all sectors by streamlining operations as well as to explore new avenues and channels of business. Initiatives have been taken to source diverse markets, develop innovative channels and explore new business segments. Several new projects are in the pipeline and investments in game changing technologies are planned. Some of these initiatives are already in place. We are confident that this strategy will strengthen us to meet the challenges in the years to come:

An overview of the seven sectors of the Group and a brief outline of the factors that affected their performance during the year under review is given overleaf.

Management Discussion and Analysis (Contd.)

FMCG

C. W. Mackie PLC's Scan Products Division and its subsidiary, Kelani Valley Canneries Limited (KVC), manufactures, imports, markets and distributes FMCG products in the food and beverage category.

Brand Portfolio

Scan Products Division's brand portfolio comprises renowned local and international brands. Beverages manufactured and distributed include Sunquick, Scan Jumbo Peanuts, Kotagala Kahata Tea and Scan Bottled Drinking Water. Other products are N-Joy Coconut Oil, Star brand Essences and Colourings, Ocean Fresh Tuna, Delish bakery products and Forest Farm canned vegetables, as well as KVC branded goods, many of which enjoy market leadership positions in their respective categories.

Performance

The FMCG Sector recorded healthy financial results during the year under review and contributed approximately 49% to the total Group profitability.

The Sector continued to be the most lucrative for the Company, with its top-line growth of 20% despite the adverse external macro-economic factors, compared to the previous year. Changed government tax regime, as well as FOREX market fluctuations during the year had a negative impact on the bottom-line. Increase of VAT from 11% to 15% impacted negatively.

These factors had a trickle-down effect because they caused a surge in the prices of raw materials, which resulted in an increase in production costs and cost of sales by approximately 4%.

Having reviewed the competitive market environment and consumer behaviour patterns in the background of the Government tax changes, the Company has taken a policy decision not to pass the additional tax burden to the consumers in the short-term by increasing the maximum retail price. This decision has further affected the bottom-line results of the Company.

Sunquick is the Company's core brand and enjoys a substantial market share of 68% positioned at the top in the fruit squash category. The product sold a volume of 26 million litres of Ready-to-Drink (RTD) in the current year. The flavour and components of this concentrated fruit squash make it the popular choice among children and adults alike, worldwide, which gives it a strong position in global markets. The products strong market position was further strengthened by many innovative promotional and distribution initiatives by the Division.

Sunquick's success in the market has prompted the advent of other Sunquick products, which include 'Sunquick Gold-Orange'. This is a sweeter version of the basic Sunquick product and a favourite among young consumers.

Scan Jumbo Peanuts, the pioneer brand in its category has since inception, maintained the category leadership in its sector. During the current year, the product captured 70% share of the market, which is a 34% growth in sales volumes.

Scan Bottled Drinking Water is an ultra-premium purified drinking water, the cleanest known bottled water in Sri Lanka and recorded a 24% volume growth.

Kotagala Kahata tea recorded a volume growth by 9% in 2016/17, compared to 2015/16 results.

N-Joy Coconut Oil recorded a 17% volume growth over the previous financial year.

Capital Investments

Upgrades of the existing machinery for Scan bottled drinking water were necessary in 2016/17 to meet the soaring demand. Technology initiatives were taken during the year to instal fully automated processing and filling machinery by replacing existing machinery to increase the production by almost 100%.

Manufacturing Facilities

Sunquick fruit squashes and Scan branded bottled drinking water are manufactured at the Company's state-of-the-art facility having a fully automated production process that provides consumers with high quality products. The Plant also introduced several eco-friendly initiatives during the year to reduce its environmental footprint. Scan bottled drinking water purification process that eliminates all impurities is considered to be the best among the bottled water manufacturers.

The Scan Products Division's testing laboratories use modern technology and are staffed by skilled and experienced personnel. Comparative analyses are performed on products in accordance with local and international regulatory standards. A bottled product is released to the market only once it conforms to internal and international quality standards.

Distribution

The Scan Products Division has five distribution channels, namely, traditional trade (general trade), modern trade, food services sector, wholesale sector and independent supermarket sector. The distribution networks cover over 70,000 outlets across the country.

The Division had the foresight to initiate several distribution channels to meet the trends and opportunities of the flourishing leisure industry and has made substantial in roads into the HORECA (Hotels, Restaurants and Catering) Sector where its products are in high demand.

Management Discussion and Analysis (Contd.)

Kelani Valley Canneries Limited (KVC)

KVC, since April 2014 is a subsidiary of C. W. Mackie PLC and has been in business for nearly a half a century, having been established in 1968. KVC manufactures and exports processed tropical fruits and vegetables and its product portfolio ranges from sauces, jams, nectars, chutneys, treacle, fruit juices, fruit pulp to canned fruits and vegetables to pickles and sambols and recorded a 27% sales growth compared to the previous financial year.

In view of enhancing productivity and efficiency in the manufacturing process, investments were made on capital expenditure in the purchase of machinery.

Distribution of KVC products has been taken over by Scan Products Division which uses its extensive islandwide distribution network for the purpose.

Quality Standards

The entire manufacturing operation is carried out according to certified Good Manufacturing Practices (GMP) guidelines and most products are SLS certified. The manufacturing facilities are committed to meeting and maintaining this level of quality and standards.

Internal and external quality assurance programme ensures regular testing of quality and processes. As an ISO 9001:2008 and ISO 22000 certified company, all products meet the most stringent international and national quality standards. A HACCP (Hazard Analysis Critical Control Point) inspection plan has also been integrated into its manufacturing facility to ensure hygienic standards that translate into food safety for consumers. HACCP is a globally recognised food safety programme for the food and pharmaceutical industry.

The manufacturing facility for KVC brand products at Kaluaggala, Hanwella also has SLS certification and ISO 22000:2005 certification.

New Business Development

New market opportunities were identified this year for marketing bakery ingredients such as jelly crystals, custard powder, gelatine, cornflour, icing sugar and pudding mixes and a factory on our existing premises in Horana was refurbished for to commission a production facility.

Commercial operations commenced in the current year under the 'Delish' brand. This is a new brand extension to the existing product portfolio of Scan Products Division and we are confident of achieving profits in the years to come.

Expanding Distribution Channels

The Division has, over the years, consolidated its reputation in the Food Services Sector (HORECA) as a manufacturer and supplier of high quality products and superior service. We are now building on this reputation by expanding our channels to the non-food category as well.

Strategies

- Discontinued direct invoicing to the Food Service Sector (FSS) and converted to FSS - Distributor operations with a direct focus on category and encouraging them to "come & collect" from the Company warehouse.
- Discontinued the Company delivery system of general trade distributors and substituted with a "come & collect" policy, which resulted in a substantial reduction in transportation costs.
- Introduced Independent Super Market (ISM) distribution channel.
- Launch of new bakery range of products.
- Increased focus on Ocean Fresh tuna as a value-added premium brand and expanded its product portfolio.
- Enhanced focus on staff training with effective identification of individual training needs.
- Expansion of Food Service Sector product portfolio.

Future Plans

- Digital Marketing

  More focus on Digital Marketing to capture Generation "Millenials" by changing the media mix in line with the future trends.

- New Product Development (NPD)

  Concentrating on new product development and introducing value-added tea for identified market segments.

- Food Service Sector

  Identify the upcoming opportunities in HORECA Sector, moving into identify non-food categories and capitalize available market opportunities.

- Independent Supermarket Channel (ISM)

  In terms of deeper penetration, implement the total blue print of ISM channel development.

- Debtor Management

  Reduce the finance cost through controlled debtor management and cost variance analysis.

- Production

  Increase the production efficiency in the manufacturing plants and optimise the capacity.

Management Discussion and Analysis (Contd.)

MANUFACTURING

Ceymac Rubber Company Limited and Ceytra (Private) Limited are subsidiaries of C. W. Mackie PLC and engages in the manufacture of primary and specialty types of rubber products and value-added rubber products for the local and export markets.

Rubber production declined in 2016 to the lowest volumes reported in the past 50 years, with a drop both in the land extent under tapping and a reduction in the number of tapping days in response to low international demand and adverse weather conditions that reduced production by 10.7%.

This decline in production drove rubber prices up this year too. As a result, both companies faced heavy global competition during the year from rubber producing countries like Thailand, Indonesia, India and China and more recently, Vietnam who offer the products at process much lower than Sri Lanka due to bulk production. The reduced export demand had the heaviest impact on the technically specified rubber (TSR) business of Ceymac Rubber Company Limited.

Ceymac Rubber Company Limited (Ceymac)

Products

Primary Types

- Technically Specified Rubber (TSR)
- Plantation Sole Crepe

Ceymac manufactures a wide and varied range of specialty rubber products that meet needs across industries:

Specialty Types

- Granulated rubber for the adhesive industry
- Chemically treated rubber (Zinc Oxide dusted crepes and bandage crepes) for the pharmaceutical industry
- Stick cleaners for the mining and woodwork industries
- Coloured sole crepe for the shoe industry

Major Export Markets

India, Vietnam, South Africa, Japan, China, United Kingdom, Canada and Bangladesh.

Performance

Ceymac resulted in a loss during the year under review. The bulk of the rubber exports in 2016 was TSR (70%) and the balance was Sole Crepe (30%), but in terms of the Rupee value contribution to the business, TSR contributed 57.8% and Sole Crepe 42.2%. During the year, Ceymac produced 1,295 MTs of TSR and 525 MTs of Sole Crepe rubber and specialty products.

Low supplies have driven prices up and as a result, the product has become uncompetitive in the international market.

Local production of Natural Rubber (NR) has been severely reduced over the years, which has driven up price. Production reduced over the past 30 years, from 185,000 MTs in 1985 to 75,000 MTs in 2016 due to the depletion in rubber plantations caused by urbanization and other developments, as well as the diversion to produce palm oil, which is proving a popular alternative because it is a much simpler process that requires little labour and quality testing.

TSR is produced through a mechanised process that takes about three hours to manufacture, and is marketed as a raw material. Sole crepe is a specialty semi-finished product, manufactured in a very labour intensive and careful process that takes about 6 to 7 days to produce and employs mainly women in the specialized process of producing the sole specialty crepe sheets. It is exported to the high-end shoe industry. Sri Lanka is the only producer of sole crepe rubber, and occupies a niche market where it is sold at a premium price. C.W. Mackie PLC leads the local export market, but quantities produced and exported are limited because supplies are low and production is very labour intensive. The differences in the manufacturing process determine the wide difference in price between the two products TSR currently retails for about Rs. 300/- per kg and sole crepe for about Rs. 645/- per kg.

The manufacturing facilities are strategically located in a prime rubber plantation in the Kalutara District, which gives a competitive advantage for collecting latex and producing natural rubber products that conform to the highest international standards of quality. A substantial investment was made during the year to refurbish the factory in order to operationally make more competitive.

Management Discussion and Analysis (Contd.)

Quality Standards

Ceymac has introduced state-of-the-art effluent treatment and air pollution control systems at its Narthupana factory in Horana which reduce adverse impacts to the environment that could result from emissions caused by the manufacturing process of rubber. The manufacturing process is ISO 9001:2008 certified.

Ceytra (Private) Limited (Ceytra)

Ceytra is a leading manufacturer and exporter of a wide range of high quality value-added moulded rubber-based products to buyers worldwide. These products are invaluable in the areas of industrial transport, agriculture, the automobile industry and are also used in dockyards.

Ceytra has the expertise to design, develop and manufacture a range of rubber products out of natural or synthetic rubber according to engineering drawings and specifications provided by customers.

Products

Moulded Products

- Bumpers of different shapes and sizes for vehicles, container terminals and other uses. These bumpers are manufactured with improved resilience to shock and vibration and are also resilient to adverse weather conditions
- Durable, high quality dock fenders for the marine industry
- Couplings, mounts, grommets, caster wheels, rubber to metal boded parts, tyre stoppers, door stoppers for industrial and general purposes
- Oil seals and gaskets for automotive and industrial use
- Tarp straps/ pallet straps with metal hooks of different sizes and shapes for transport and packaging applications
- Carpets of different sizes and textures for automotive, industrial and domestic use
- Bends, shaped hoses and tubes for industrial and agricultural applications

Major Export Markets

France, Sweden and Japan

Performance

Ceytra made a profit of Rs.8.6 million during the year under review, as against a loss of Rs.10 million in the previous financial year.

Ceytra commenced production of rubber mats to utilize the excess capacity following the discontinuation of extruded products (rubber bands) in the previous year and has now become the main supplier of rubber mats to the local market.

Local sales were expanded during the year and about 140 MTs or 55% of the rubber produced was sold in the local market and generated a revenue of Rs.22 million. The balance 45% of products were exported and earned a revenue of Rs.35 million.

Quality Standards

Ceytra has a well-deserved reputation for maintaining high standards of quality in all rubber products manufactured and has been accredited with the environmentally friendly Forest Stewardship Council Chain of Custody (FSC-COC) Certification, which recognizes reclaimed forest-based materials that can be used as components in FSC certified products and projects.

Laboratory Testing

The quality of rubber compounds and finished products is tested in a laboratory set up for the purpose, which follows stringent quality controls and initiates research and development activities. It is headed by a qualified and experienced Rubber Technologist.

Strategies

- All efforts are been taken to introduce new materials in order to bring down the compound cost and final production cost without affecting the final quality.
- Ceytra is focusing to increase its local sales by introducing its present export product range to local industries in addition to their own need of rubber products.

Management Discussion and Analysis (Contd.)

MARINE PAINTS

The Hempel Division has been selling and distributing marine paints and protective coatings under the international brand name 'Hempel' since 1982. In 2008, the Company was appointed sole distributor in Sri Lanka and the Maldives.

The Division mainly serves the shipping industry as well as the government, multi-national and local companies.

Sales were diversified recently to supply protective coatings to the telecommunication service sector, hydro electricity power plants, steel building structures, petroleum tanks, as well as for refurbishing the sluice gates of irrigation tanks. This Sector is being developed as a supplementary business that is adding value to the Company's sales and profits.

Performance

The business saw robust growth during the year under review, with the highest volumes ever produced sold at the best prices. Net turnover recorded a value increase of Rs.154 million (growth of 61%) and a volume increase of 97,784 lirtres, which is a 40% volume growth year-on-year over the previous year's. This phenomenal growth was the result of direct international orders for Hempel paints for use in special projects. This enabled us to post the highest profits since inception from the Division and made the second largest contribution of 20% to total profits of the Company.

Although a few competitors recorded strong performance, the Hempel Division was able to out perform them.

Additional inspection equipment was purchased for technical services during the year to strengthen technical supervision and customer support.

During the year, a notable number of dry docking were carried out in the Colombo Dockyard for both Hempel Associates orders and orders secured from local customers. Orders for three new building vessels (Anchor handling tugs) from Colombo Dockyard secured during the current year helped to increase volumes.

Customer Segments

Marine Segment

The marine segment of the Hempel Division offers marine paint related solutions to vessels dry docking in the Colombo Dockyard and smaller vessels at other locations in the country. Anti fouling, which helps reduce fuel consumption and is suitable for high vessel idling periods, is also used on these vessels.

The Company was successful in arranging supplies of paints for the day-to-day maintenance of sea going vessels to keep them free of corrosion and in good condition. High quality Hempel anti fouling, primers, intermediate coats and various types of finishing coat paints are also used to ensure that the vessel is maintained in good condition.

The marine segment provides services, not only to sea going vessels, but to other structures in the marine environment, like port cranes, wind turbines, as well.

Protective Coating Segment

Hempel has years of experience in anti-corrosive coatings for almost any type of steel structure, which reduce maintenance costs and shut down periods when used regularly. Protective coatings for mini hydro power projects, radial and sluice gates in irrigation projects, thermal power plants, bridges, steel building structures, tower cranes used at construction work of high rising buildings, galvanised telecommunication towers and for various applications in factories are also available in the Hempel brand.

Container Coating Segment

The Hempel brand is one of the few products recognized by international container lines as being a quality paint for protecting their containers. We supply about 70% of the paint requirements of container yards in Sri Lanka for repairing container boxes.

Technical Services

The Division’s technical services team comprises personnel with qualifications up to Level 3 certification of the National Association of Corrosion Engineers (NACE), who are competent to provide the necessary inspection and advice to ensure that paint specifications are followed in all aspects of the coating process.

Marine paints are essential not only for maintaining the cosmetic appearance of vessels, but also for minimising the onset of corrosion and ensuring that the vessel stays in good condition. This helps to reduce the costs of maintenance when dry docking.

Strategies

- to provide timely and economical product solutions.
- to ensure customer satisfaction through suitable paint specifications, technical advice and supervision coupled with timely product delivery.

Management Discussion and Analysis (Contd.)

EXPORT TRADING

Trading in the export of natural rubber, coconut products and Sri Lankan spices has been the core activity of the C. W. Mackie Group since 1900. The decline in global commodity prices during the past several years has however, caused this Sector to perform sluggishly.

Performance

Falling commodity prices in the global market and other related issues beyond our control caused a setback for the commodity business. Notwithstanding the lack of significant growth in the volume of natural rubber and desiccated coconut exports, these commodities posted better results than expected during the year under review.

Rubber and rubber-related products manufacturing and exports have performed fairly satisfactorily, despite of challenging local supply conditions and a dearth of expansion opportunities in the export market, due to negative overseas market movements. This year too, in spite of fluctuating prices we had the foresight to anticipate the market and was able to achieve more than the budgeted estimates. Sri Lanka has a niche market in high quality crepe rubber, but our position is challenged because overseas customers has the option to buy products of similar but lesser grades in other international markets, which has reduced our sales.

Coconut products achieved set sales targets for the year and the export volumes for desiccated coconut increased during the year by 6.2%.

Rubber, coconut and spices, like cloves and pepper, are sensitive to the vagaries of the weather and suffered significant market fluctuations due to the prolonged drought conditions during the year. Coconut prices soared to the highest ever throughout the country as a result of reduced production. These factors had some impact on the Division's bottom-line during the year and resulted in a Net Profit of Rs.38.2 million, which is a substantial decrease over the previous year result of Rs.70.5 million.

Product Portfolio

Rubber

A leading exporter of all grades of natural rubber, white and coloured sole crepe rubber, as well as specialty grades of natural rubber such as granulated crepe rubber and ZOX crepe rubber and also a supplier of natural rubber, ribbed smoked sheet rubber (RSS), technically specified rubber (TSR) to the local rubber-based product manufacturers, such as solid tyres, house hold rubber goods, footwear industry etc.

Coconut Products

Procure quality desiccated coconut and other coconut products for export. These include desiccated coconut in fine, medium, flakes and toasted grades. Other coconut products exported include coconut cream, coconut milk, low fat coconut products and virgin coconut oil.

Spices and other products

Cinnamon, cloves, cardamoms, cashew, nutmeg, mace and black pepper. In addition, dry lemon and sesame seeds.

Markets

Japan, USA, China, India, UK, Europe, Pakistan, Taiwan, Canada, South America and South Africa.

About 75% of rubber is exported in its natural form to countries such as Japan Singapore, UK, Europe and USA for use in the pharmaceutical and adhesive industries and the balance 25% is sold in the Sri Lankan market to local footwear manufacturers and other rubber-based industries.

Cinnamon is exported to South America as an ingredient in perfumes. Spices are exported to Middle Eastern countries and Indian sub-continent and are used in food preparations and as additives/flavouring agents in the confectionary industry.
The Export Division continues to explore new avenues of business that will keep the Sector more profitable.

Standards

International and EU standards in product manufacture and exports are followed throughout the manufacturing process. Environmental and social concerns that could arise during the manufacturing processes are also adequately addressed.

Strategies

- To increase opportunities for natural rubber trading in markets such as South America, Africa, Australia and New Zealand where our current market share is low.
- To further expand our local market share.
- To introduce new products, such as centrifuged latex and other specialty grades of rubber, to our current product portfolio of natural rubber.

Management Discussion and Analysis (Contd.)

SUGAR TRADING

The Sugar Trading Division imports and distributes high quality fine granulated refined white sugar in bulk to customers in the food and beverage, carbonated drinks, dairy and bakery industries. It also supplies refined white sugar in packets to the catering and restaurant sector.

Performance

Performance of the Sugar Trading Division is more or less in line with the set annual budget despite the global market being driven by a number of factors that increased prices. One main reason was the fact that India became a net importer during the year under review, which created a global scarcity that enhanced prices. Rising freight costs in the latter part of the year and escalation in import duties through the Government budget in November 2016 saw a significant rise in total costs. The fluctuations in FOREX added to the negative environment for sugar imports.Despite these challenges, the Division achieved a satisfactory profit before tax due to our foresight in anticipating market trends.

We were also compelled to limit direct imports from Brazil during the year mainly due to external market factors. This also negatively impacted our bottom-line, but we were able to minimise this shortfall with direct imports from Thailand and Dubai.

Categories of Imports

Three categories of sugar were imported during the year. Refined sugar is from Thailand and Malaysia, non-refined sugar from Brazil and India and super-refined sugar from Thailand and Malaysia. We traded comparatively high volumes from Dubai which was a preferred alternative to sugar from Thailand by some customers. Accordingly, we commenced imports from Dubai during the current year to meet the demand of this category of customers.

The sugar is stored in a centrally located warehouse that is in line with the infrastructure specifications of the customers.

Quality Standards

All sugar imported conforms to the stringent international standards of quality applicable to the sugar manufacturing industries and is free of Genetically Modified Organisms (GMO) as confirmed by the Non-GMO Certificate of Analysis.

Strategies

- To advise customers of market behavior and arrange for long-term forward booking contracts.
- To cover costs and key retail pricing with a combination of refined, semi refined and super refined sugar.
- To create healthy competition among sugar suppliers, both local and international.
- To evaluate options to liaise directly with selected overseas suppliers in import price negotiations.

Future Plans

- Future plans for the sugar trading operation is mainly end user centric business to business approach by focusing on institutional customers.
- The Division is planning to expand their end user customer base by providing reliable future market information and predictions for them to cover their future volume requirement at minimum cost.

Management Discussion and Analysis (Contd.)

INDUSTRIAL PRODUCTS

The Industrial Products Division was established in the 1980s to cater to local market needs for industrial products, and manages several agencies in Sri Lanka for renowned global brands. The Division imports and sells a range of welding equipment, maintenance welding alloys, chisel bits and hammer drills (light engineering products), automobile/ workshop machinery and equipment.

Performance

The rapid rise in infrastructure projects in the country in recent years has created a growing market for industrial products. During the current financial year, the import and sale of welding products, engineering items and power generating machinery recorded top-line growth. The bottom-line performance was not up to the expected level mainly due to low margins from machinery category. The increased financial costs also impacted the Division's overall profitability.

Product Category Portfolio

1. Welding electrodes, rods, wires
2. Welding equipment and accessories
3. Light engineering equipment and accessories
4. Power generators, workshop machinery and equipment

Agencies/Distributorships

1. Welding Electrodes, Rods, Wires

   Authorised Importer and Distributor for:

   - Chosun - Korea: Welding electrodes and wires
   - Eutectic (EWAC Alloys) - India: Preventive maintenance welding products
   - WELDWELL MS - 12: General purpose welding electrodes

2. Welding Equipment and Accessories

   Authorised Importer for Sales and Services for:

   - TELWIN - Italy: MIG, TIG, manual arc, spot welding equipment plasma cutters and battery chargers
   - Dynaweld - Malaysia: MIG, TIG manual arc, spot welding equipment

3. Light Engineering Equipment and Accessories

   Authorised Importer and Distributor for:

   - Rock drill hammers, tapered rods, chisel bits and button bits
   - High pressure compressor hoses

4. Power Generators, Workshop Machinery and Equipment

   Authorised Importer for Sales and Services for:

   - MOSA - Italy: Welding generators, light towers and power generators

Maintenance and Services

The Division provides after sales services at its fully equipped workshop in Horana for repairing and servicing welding equipment, power generators and other workshop machinery. The workshop has a trained and qualified technical team to carry out reclamation and preventive maintenance welding jobs with high quality welding alloys using state-of-the-art welding techniques.

Strategies

- Expanded the Division and relocated its maintenance and services facility in Horana to retain existing customers, attract new customers and provide better services.
- Introduced the Company's own brand WELDWELL MS - 12 and entered the general purpose welding consumables market which has the biggest market share in the welding electrodes range.
- Increase penetration into the un-tapped market segments as a key business strategy.

Future Plans

- Identified the increasing demand for welding consumables and related products and planning to strengthen its distribution by widening the end user customer base.
- To provide and maintain a strong after sales service to customers.

Management Discussion and Analysis (Contd.)

REFRIGERATION AND AIR-CONDITIONING

The Company took a policy decision during the year under review to separate the Refrigeration and Air-Conditioning Division from the Industrial Products Division. The sterling performance of the new Division confirms the efficacy of this strategy. As a newly established Division with limited staff, this sector has a high revenue per employee, which translates to a correspondingly high business efficiency ratio.

It was a good year for refrigeration gases, with a healthy top-line and bottom-line. The Company was adjudged the best performing distributor for Danfoss refrigeration and air-conditioning products in the Indian region for the third consecutive year and awarded the Champion of Champions trophy for its sales growth.

Product Category Portfolio

Refrigeration and air-conditioning equipment, components, accessories and refrigerant gases.

Agencies/Distributorships

Authorized Importer/distributor and sales/services for:

- DANFOSS - Denmark : Refrigeration and air-conditioning equipment, components and accessories
- FRASCOLD - Italy : Semi hermatic compressors
- ROLLER GmbH - Germany : Evaporators and condensers
- RUBY - Vietnam : Copper tubes
- ICOOL - China : Refrigerant gases

Maintenance and Services

The Division provides after sales services at its fully equipped workshop in Horana.

The mini Assembly Plant at the workshop premises assemble and produce tailor made refrigerator condensing units.

Strategies

- Identifying new market opportunities that have immense potential for expansion.

Future Plans

- Two projects that will define the Division's future progress are the introduction of an assembly line for condensing units, as well as a cool room fabrication unit, both of which have already commenced operations. A pilot project introduced with the latter unit proved successful and will be launched commercially very shortly.
- A lubricant oil for the refrigeration sector will also be introduced to the market shortly.

CONSISTENT GROWTH

Scan Bottled Drinking Water with its certification of ISO 9001:2008, ISO 22000:2005, SLS 894, GMP, HACCP and Health Ministry certifications is considered to be one of the cleanest-known, ultra-premium bottled water in Sri Lanka. The water is bottled to meet strict hygiene standards at C. W. Mackie PLC's purpose designed, modern factory located at source and designed and constructed by professionals, in conformance to the highest local and international standards of the bottled water industry. A stand-out feature of the production process of Scan Bottled Drinking Water is the use of state-of-the-art machinery that requires minimum human intervention. The year in focus has seen the brand, regarded by many as having set the industry standard for purity in bottled water, maintain an upward pace of growth.


Scan
SCAN
BOTTLED DRINKING WATER
බෝතල්කළ පානීය ජලය
போத்தலில் அடைக்கப்பட்ட குடிநீர்
EAU POTABLE EN BOUTEILLE
ABGEFULLTES TRINKENWASSER
1000 mL

Annual Report of the Board of Directors

For the financial year ended 31 March 2017

The Board of Directors have pleasure in presenting their Annual Report on the affairs of the Company together with the audited Financial Statements for the financial year ended 31 March 2017 and the auditor's report on the Consolidated Financial Statements.

Principal Activities

The principal activities of the Company and each of its subsidiary companies are described on page 3.

Joint Venture between C.W. Mackie PLC and Co-Ro A/S, Denmark

The Company has on 24 February 2017 entered into a joint venture agreement with Co-Ro A/S, Denmark (Co-Ro) for the purpose of manufacturing, processing and marketing Co-Ro's products in the form of concentrates and ready to drink (RTD) products marketed under 'Sunquick' brand. Details are set out in the Chairman/CEO's Review on page 13.

There were no significant changes in the nature of principal activities of the Company and its subsidiaries during the year under review, other than those disclosed in the preceding paragraph.

Review of Operations

A detailed review of business operations by the Chairman/ Chief Executive Officer is given on pages 12 to 19.

Future Developments

The Group intends to continue to pursue a strategy of focusing on its current business activities and related new business avenues. In order to achieve this, the Group will concentrate on enhancing the performance of its FMCG Sector by backward integration and diversifying the Industrial Products and Trading Sectors. Further information on future developments is provided in the Chairman/CEO's Review and Management Discussion and Analysis of this Annual Report.

Going Concern

The Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared based on the going concern concept.

Shares

Stated Capital

The stated capital of the Company is Rs.507,047,487 as at 31 March 2017 represented by 35,988,556 shares.

The entire issued stated capital of the Company consisting of 35,988,556 ordinary shares is listed on the trading floor of the Colombo Stock Exchange.

Issue of Shares

The Company did not make any share issues during the year under review.

Share Information

Details of share-related information including distribution schedule of number of holders of shares in the Company are given on pages 121 and 122 and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on page 9.

Kotagala Plantations PLC (Disposal of shares)

Kotagala Plantations PLC (KPP) holding 7,157,857 shares of the issued shares of the Company (representing 19.89% of the issued capital) on the 14 June 2016 sold and transferred 5,870,000 shares (representing 16.31% of the issued capital) to the holding company of the Company, Lankem Ceylon PLC on the trading floor of the Colombo Stock Exchange (CSE) at Rs.60/- per share. The balance 1,287,857 (representing 3.58%) held by KPP was sold to the public on the trading floor of the CSE during the year under review.

Following the said disposal of shares, KPP ceased to be a member of the Company.

The twenty largest shareholders of the Company and details of public holding as at 31 March 2017 are indicated on page 122.

Finance

Accounting Policies

The Company prepared its Financial Statements according to the Sri Lanka Accounting Standards (SLFRS/LKAS). All relevant applicable standards have been followed in presenting the Financial Statements for the year ended 31 March 2017. The significant accounting policies adopted in the preparation of the Financial Statements are given in Note 3.

Financial Results

Group summarized results for the financial year under review are shown in the analysis below:

Year ended 31 March	2017 Rs. 000's	2016 Rs. 000's
Revenue	8,837,350	7,859,633
Results from operating activities	416,439	409,788
Net financing costs	(67,371)	(7,865)
Profit before taxation	349,068	401,923
Income tax expense	(111,937)	(123,401)
Profit for the year	237,131	278,522
Non-controlling interests	(654)	6,729
Profit attributable to equity holders	236,477	285,251

The Financial Statements of the Company and Group are set out on pages 70 to 118 of the Annual Report.

Dividend

The Directors have authorised the distribution of a first and final dividend of Rs. 3/50 per share for the financial year ended 31 March 2017 for approval by the Shareholders at the Annual General Meeting.

As required by Section 56(2) of the Companies Act No.7 of 2007 (the Act) the Directors have confirmed that the Company satisfies the solvency test in terms of Section 57 of the Act and have obtained a certificate from the Auditors.

Reserves

The Group's total reserves as at 31 March 2017 amounted to Rs.1631.7 million (2016 - Rs.1,511.4 million). The movement of the reserves is given on page 72 under Statement of Changes in Equity and in the Notes 20 and 21 to the Financial Statements.

Group Revenue

Group revenue was Rs.8,837.3 million during the year under review (2016 - Rs.7,859.6 million).

Donations

The Directors have approved and made donations of Rs.316,303/- (2016 - Rs.216,680/-) to charities during the year under review.

Taxation

The Company has adopted the accounting policy of making provision for deferred taxation. The Company's liability to income tax has been determined according to the provisions of Inland Revenue Act No.10 of 2006 and subsequent amendments thereto. Details are given in Note 9 to the Financial Statements.

Capital Expenditure

The Group's capital expenditure on fixed assets and investments other than investments in subsidiaries during the year under review was Rs.262.4 million (2016 - Rs.90.3 million).

Borrowings

Group total borrowing was Rs.1,012 million as at 31 March 2017 (2016 - Rs.929.4 million).

Events after the Reporting Date

Subsequent to the reporting date, no circumstances have arisen which would require adjustment to or disclosure in the Financial Statements, other than those disclosed in Note 32.

Board of Directors

The present Directors of the Company are given on pages 20 and 21.

The Board has made a determination as to the independence of each non-executive Director and confirms that the required number of non-executive Directors meet the criteria of independence in terms of Rule 7.10.4 of the Listing Rules.

Each non-executive Director has submitted a signed and dated declaration of his independence against the specified criteria as per the Listing Rules of the Colombo Stock Exchange for the year under review.

During the year under review, Deshabandu A. M. de S. Jayaratne and Mr. H. D. S. Amarasuriya served as non-executive/independent Directors on the Board of the Company.

Deshabandu A. M. de S. Jayaratne is a Director of the ultimate parent company, The Colombo Fort Land and Building PLC and on the Boards of some of its subsidiaries. He was appointed to the Board of the Company on 23 May 2007 and has completed over nine years of continuous

Annual Report of the Board of Directors (Contd.)

service in his capacity as independent non-executive Director. However, the Board of the Company having taken into consideration all other circumstances listed in the Rules of the Colombo Stock Exchange pertaining to the criteria for defining independence is of the unanimous opinion that Deshabandu A. M. de S. Jayaratne is nevertheless independent.

Mr. H. D. S. Amarasuriya retires by rotation in terms of Article 89 of the Articles of Association and being eligible, offers himself for re-election with the unanimous support of the Board of Directors.

As Mr. W. T. Ellawala, Deshabandu A. M. de S. Jayaratne, Mr. R. C. Peries, Mr. Alagarajah Rajaratnam, Mr. H. D. S. Amarasuriya and Dr. T. Senthilverl are over the age of 70 years, their appointment as Directors of the Company require the approval of a resolution of the Company in general meeting. Notices dated 22 May 2017 have been received by the Company from shareholders in regard to the resolutions for the approval of their appointment under and in terms of Section 211 of the Companies Act No.7 of 2007 and this is referred to in the Agenda of the Notice convening the Annual General Meeting on page 123 The appointment of Mr. W. T. Ellawala, Deshabandu A. M. de S. Jayaratne, Mr. R. C. Peries, Mr. Alagarajah Rajaratnam, Mr. H. D. S. Amarasuriya and Dr. T. Senthilverl have the unanimous support of the Board of Directors.

Disclosure of Directors' Interests

The Company maintains an Interest Register as required by the Companies Act No.7 of 2007 (Act).

The Directors of the Company have made the general disclosures provided for in Sections 192, 197 and 200 of the Act. Note 31 to the Financial Statements dealing with related party disclosures include details of their interests in transactions.

None of the Directors of the Company had, directly or indirectly, during the financial year under review any material beneficial interest in any contract to which the Company or any of its subsidiaries was a party or which is or was significant in relation to the Company's business, other than those disclosed in Note 31 to the Financial Statements and declared at meetings of the Directors.

Details of the remuneration and other benefits received by the Directors are set out in Note 31.2 to the Financial Statements.

The shareholdings of the Directors at the beginning and at the end of the financial year were as follows:

	Shareholding as at 31 March 2017	Shareholding as at 1 April 2016
W. T. Ellawala (Chairman/CEO)	500	500
Ms. C. R. Ranasinghe	100	100
A. M. de S. Jayaratne	Nil	Nil
R. C. Peries	Nil	Nil
Anushman Rajaratnam	Nil	Nil
S. D. R. Arudpragasam	Nil	Nil
Dr. T. Senthilverl	10,765,575	10,765,575
H. D. S. Amarasuriya	Nil	Nil
K. T. A. Mangala Perera	Nil	Nil
Alagarajah Rajaratnam	Nil	Nil

Directors' Responsibility for Financial Reporting

The Directors responsibility for financial reporting is given on page 54.

Statutory Payments

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 and all other known statutory dues as at the reporting date have been paid and/or provided.

Corporate Governance

The Directors are committed to maintain the highest standards of corporate governance. The main corporate governance practices of the Company are set out on pages 55 and 57.

Property, Plant and Equipment

Details of property, plant and equipment, additions made during the year and depreciation thereof for the year under review are shown in Note12 to the Financial Statements on pages 90 to 93.

Market Value of Properties

Land and buildings of the Group, which is carried at cost, were re-valued by a professionally qualified independent valuer as at 31 March 2016. The Directors are of the opinion that the carrying value of the land and building are not in excess of the current market values of such properties.

Environmental Protection

The Directors to the best of their knowledge and belief are satisfied that the Company has not engaged in any activities which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

Risk Management

The Directors of the Company have reviewed the risk management structure of the Company and confirm that there are no material risk factors foreseeable. The Report on the Risk Management is given on pages 63 and 64.

Ratios and Market Price Information

Details of ratios and relevant market price information are disclosed under Financial Highlights on page 9.

Remuneration Committee

The composition of the Remuneration Committee and their Report is given on page 65.

Audit Committee

The composition of the Audit Committee and their Report is given on page 67.

Related Party Transactions Review Committee

There were no Non-Recurrent Related Party Transactions where the aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower or Recurrent Related Party Transactions, where the aggregate value exceed 10% of the gross revenue/income as per the Financial Statements for the year ended 31 March 2017 (see Note 31).

The composition of the Related Party Transaction Review Committee and their Report is given on page 66.

Auditors

The Auditor's Report on the Financial Statements for the year under review is given on page 69.

The Financial Statements of the Company for the financial year under review have been audited by KPMG, Chartered Accountants, the retiring Auditors, who being eligible, offer themselves for re-appointment. A resolution to re-appoint them as Auditors and authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Audit fees for the year amounted to Rs.2.175 million (2016 - Rs.1.975 million) for the Company and Rs.3.485 million (2016 - Rs.3.45 million) for the Group, respectively and additionally for non-audit related work Rs.0.828 million (2016 - Rs.1,650 million) for the Company and Rs.0.828 million (2016 - Rs.1,650 million for the Group, respectively.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries. The Auditors also do not have any interests in the Company or any of its subsidiary Companies.

By Order of the Board

W. T. Ellawala
Chairman/CEO

K. T. A. Mangala Perera
Executive Director

Ms. C. R. Ranasinghe
Company Secretary

Colombo
30 May 2017

Statement of Directors' Responsibility

The Directors are responsible for the Company's overall internal control systems. The Directors confirm that the existing internal controls introduced by them, which consists of internal audit, internal checks and other controls, are designed to give a reasonable assurance that all assets are safeguarded and the transactions are properly authorized and recorded either to prevent or detect material misstatements and irregularities within a reasonable time period.

The Directors are of the view that the Company and its subsidiaries have adequate resources to continue operations in the foreseeable future and have continued to use the 'going concern' basis in the preparation of the Financial Statements.

The Directors have provided the Auditors, KPMG, Chartered Accountants, with every opportunity to carry out reviews, tests and inspections that they consider appropriate and necessary to give their audit opinion. The opinion expressed by the Auditors appear on page 69 of this Annual Report.

The Directors are Responsible

- for the preparation of the Annual Report ad the Company and its subsidiaries Financial Statements in accordance with applicable laws and regulations;
- for the preparation of the Financial Statements of the Company and its subsidiaries to reflect a true and fair view of the state of affairs of the Company as at the reporting date in accordance with SLFRSs and LKASs;
- to comply and provide the information required by the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange;
- to ensure the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of its subsidiaries;
- To select suitable accounting polices which are applied in a consistent manner disclosing and explaining material departures therefrom, if any.

The Directors are of the view that they have discharge their responsibilities to the extent required as set out in this Statement during the year under review.

By Order of the Board

W. T. Ellawala
Chairman/CEO

K. T. A. Mangala Perera
Executive Director

Ms. C. R. Ranasinghe
Company Secretary

Colombo
30 May 2017

Corporate Governance

The Directors are committed to maintain the highest standards of corporate governance practiced in the interest of stakeholders (notwithstanding that during the year under review the principal shareholders held 85.25% of the issued stated capital of the Company) having regard to the requirements of the Companies Act No.7 of 2007, Securities and Exchange Commission of Sri Lanka and Colombo Stock Exchange and to this end, *inter alia*, have established internal control systems, including a comprehensive risk identification, measurement and mitigation process which is in place designed to carry on the business of the Company in an orderly manner, to safeguard its assets and secure as far as possible the accuracy and reliability of the records and protect the rights and interests of shareholders and accountable to them for the overall management of the Company. The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Board of Directors

The Board, Composition and Meetings

The Board of Directors of the Company is responsible for the governance practices adopted in all the companies within the Group. The Board comprises the Chairman/Chief Executive Officer, Company Secretary, Executive Director and seven other Directors.

The Directors have a wide range of expertise as well as significant experience and knowledge in the areas of management, commercial, financial, legal and marketing enabling them to discharge their governance duties in an efficient and effective manner. The present Directors and their profiles are given on pages 20 and 21 of the Annual Report.

Each Non-Executive Director has submitted a declaration of independence/non-independence for the year. The Board makes a determination annually as to the independence/ non-independence of each Non-Executive Director.
During the year under review, the Board met on six (6) occasions, the individual attendance by members is given below:

Name of Director	Board meetings Attended (1st April 2016 - 31 March 2017)
Mr. W. T. Ellawala	6/6
Ms. C. R. Ranasinghe	6/6
Deshabandu A. M. de S. Jayaratne	6/6
Mr. R. C. Peries	5/6
Mr. Anushman Rajaratnam	5/6
Mr. S. D. R. Arudpragasam	6/6
Dr. T. Senthilverl	5/6
Mr. H. D. S. Amarasuriya	3/6
Mr. K. T. A. Mangala Perera	5/6
Mr. Alagarajah Rajaratnam	5/6

In order to apprise the members of the Board with the activities carried out by the Group companies, board papers are submitted in advance with all relevant management information, including Group performance, new investments, capital projects and other issues which require specific attention and approval of the Board. A Statement of Statutory Compliance is submitted by all the key management personnel on a quarterly basis to the Board.

Chairman/Chief Executive Officer (CEO) and Chairman's Role

The Chairman, who is also the Chief Executive Officer, facilitates the effective discharge of functions of the Board and ensures that the business affairs are directed as per the set strategies, goals and objectives of the Group while maintaining interests of the Group's various stakeholders and promoting high standards of governance. The Chairman/ CEO is assisted by the members of the Board, Chief Financial Officer and the Group Management Committee in discharging these functions.

Corporate Governance (Contd.)

Financial and Business Acumen

The Board comprises professionals and high calibre business leaders who possess the required knowledge and experience to offer the Board the necessary guidance on matters relating to finance and business activities.

Supply of Information

The Company has set up procedures to receive timely information, including a clear agenda in advance of the meetings. Minutes of all the meetings are properly recorded and circulated among all Directors.

Apart from regular meetings of the Board, meetings headed by Chairman/CEO with the Executive Director, Group Management Committee and Senior Managers are held in order to discuss day-to-day specific matters. Decisions and important information of these meetings are conveyed to the Board members as and when necessary.

Appointments to the Board

The Board, as a whole, decides on the appointments of Directors in accordance with the Articles of Association of the Company and in compliance with rules on governance. The details of new appointments to the Board (and any other changes) are made available to shareholders by way of prompt announcements to the Colombo Stock Exchange.

Re-election of Directors

In terms of the Articles of Association of the Company, a Director appointed to the Board holds office until the next Annual General Meeting and seeks re-election by the shareholders at that meeting. The Articles require one Director in office (excluding the Chief Executive Officer) to retire at each Annual General Meeting. The Director to retire is a Director who has been longest in office since his last election. A retiring Director is eligible for re-election at the Annual General Meeting by the shareholders.

Procedures for Directors to obtain independent professional advice

The Board seeks professional advice as and when and where necessary from independent external professionals.

Disclosure of Directors Remuneration

Aggregate remuneration paid to Directors is disclosed in Note 31.2 to the Financial Statements on page 110.

Remuneration Committee

The composition of the Remuneration Committee and their Report is given on page 65 of this Annual Report.

Relationship with Shareholders

The Company has opened up several channels to ensure sound communication with the shareholders. The Chairman/CEO, the Executive Director and the Company Secretary are available to shareholders in respect of matters relating to them.

Annual General Meeting

The Company regards the Annual General Meeting as an opportunity towards constructively enhancing relationship with the shareholders and to this end the following procedures are followed:

- Notice of the Annual General Meeting and related documents are sent to shareholders along with the Annual Report within the specified period.
- Summary of procedures governing voting at the Annual General Meeting are clearly communicated.
- All the Directors are available to answer queries.
- The Chairman ensures that the relevant Senior Managers, External Auditors and Legal Advices are available at the Annual General Meeting to answer specific queries.
- Separate resolutions are proposed for each item.
- Proxy votes are counted.

Release of Information to the Public and Colombo Stock Exchange

The Board of Directors, in conjunction with the Audit Committee, is responsible in ensuring the accuracy and timeliness of published information and in presenting an accurate and balanced assessment of results in the quarterly and annual Financial Statements.

All other material and price sensitive information about the Company as and when necessary is promptly communicated to the Colombo Stock Exchange and such information is also simultaneously released to the shareholders and employees.

Accountability and Audit

Financial Reporting

The Company and its Board of Directors consider timely publication of its annual and quarterly Financial Statements as a high priority. These publications include all material financial and non-financial information, in order to facilitate the requirements of existing and potential shareholders. Financial Statements have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKAS).

After adequate assessment of the Company's financial position and resources, the Directors are of the opinion that the Company is capable of operating in the foreseeable future. In view of this, the "going concern" principle has been adopted in the preparation of the Financial Statements. The Auditors' Report on the Financial Statements for the year under review is given on page 69.

Internal Controls

The Board of Directors takes overall responsibility for the Company's internal control system. A separate section for audit and compliance has been established within the Corporate Finance Division to review the effectiveness of the Company's internal controls in order to ensure reasonable assurance that assets are safeguarded and all transactions are properly authorized and recorded.

The Board of Directors has ensured that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes which have been carried out in accordance with Sri Lanka accounting standards and regulatory requirements. A statement on Directors' Responsibility for Financial Reporting is given on page 54.

Audit Committee

The composition of the Audit Committee and their Report is given on page 67 of this Annual Report.

The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries. The Auditors also do not have any interests in the Company or any of its subsidiaries.

Related Party Transactions Review Committee

The composition of the Related Party Transactions Review Committee and their Report is given on page 66 of this Annual Report.

Annual Report of the Board of Directors

The Annual Report of the Board of Directors on the Affairs of the Company for the year under review is given on pages 50 to 53 of this Annual Report.

Sustainability Report

Sustainability issues are gaining steady momentum today and influence a business' capacity to create value for its stakeholders. Sustainable practices are fast becoming a key differentiator between a business that has the capability to adapt and innovate and a more inward looking business.

Today, investors and employees are keenly aware of these concerns and consider them as being integral to assessing a company's performance. They now base their decisions on their prospective involvement with a company based on its perspective on sustainability initiatives.

Climate change concerns as well as competition for natural resources add a geopolitical dimension to sustainability. Issues such as carbon dioxide emissions and water use are fast becoming material concerns. As a leader in the sector that manufactures and sells primary commodities like rubber and coconut, the Company fully understands the impact of the vagaries of the weather on the food security of the country and is committed to supporting initiatives that mitigate this impact.

The historic Paris Agreement signed in April 2016, of which Sri Lanka was among the 171 country signatories, underscores the seriousness with which the world views issues of climate change and sustainability today. Signing of the Paris Agreement confirms Sri Lanka's commitment to fostering climate resilience initiatives that reduce green house gas emissions and support initiatives that preserve the environment.

In line with this new thinking, C. W. Mackie PLC has pledged its commitment to develop all aspects of its business sustainably. In doing so, the Company realizes that sustainable business practices go beyond merely reducing the amount of waste produced or using less energy, but involve developing processes that lead to its businesses becoming completely sustainable into the future.

Blueprint for Sustainability

Our blueprint for sustainability provides us with insights into the needs of the communities and the environment around us and guides us to live out our mission of caring for our people and the environment by investing in communities and minimizing the impact of our business operations on the planet. With these guiding principles, we have evolved our approach to be a more effective corporate that addresses some of the greatest risks to our environment and our people, which ultimately impact on the continuity of our business.

Addressing social disparities continues to be a key focus.

Corporate Social Responsibility (CSR)

Promoting Community Health

A major component of the Company's CSR strategy is to contribute towards developing the communities in which it lives and works, with initiatives focused at uplifting their lives, health and spirituality. In line with this, improving the infrastructure and living standards in the vicinity of the Company's bottling plant in Horana comes high on the Company's agenda.

Providing communities with much needed medical care has also been a key area of focus. The Company's flagship project during the year was launched with the signing of a Memorandum of Understanding with the Colombo National Hospital to maintain Ward 32 of the hospital for a 5 year period. This Surgical Ward can accommodate 75 patients and was completely refurbished by the Company. As a reciprocal gesture, the Colombo National Hospital organised a health camp for Company staff that provided extensive evaluation of key non-communicable diseases (NCD).

The Company has been maintaining a hospital Ward at the Horana base hospital for the past 8 years as well, which is an initiative that has been appreciated by both patients and hospital authorities.

A community project on dengue awareness was also held in Horana, in partnership with the Public Health Inspectors (PHI) in the area. Garbage was collected, water storage receptacles were emptied and the area received a general facelift.

Upholding the spiritual life of the community

About 600 students of the 2 Dhamma Schools in Horana received donations of school and religious books at the premises of the temple, which has been a continuous initiative for the past 8 years. A "Dolosmaha Pahana" was donated to the Nigrodaramaya temple in Maharagama.

Supporting the National Sport

The Company continues to support and elevate the country's national game, volleyball, as the main sponsor of the Mercantile Volleyball Tournament and presents the championship Sunquick trophy to the winning team.

A Green Perspective

As a responsible steward of the environment, the Company manages the environmental impacts of its actions while continuing to operate a profitable business.

The Company commits to inculcating a culture of environment awareness among the younger generation, firmly convinced that they are the world's most valuable resource and its best hope for the future. In line with this philosophy, many valuable fruit trees were presented to the a school in Horana, to support a green environment and bio-diversity initiative designed to increase the school children's awareness of the importance of maintaining a sustainable environment.

Greening the Business

A greening initiative, the first ever in the local food and beverage manufacturing industry, was introduced by the company to its state-of-the-art bottling factory in Narthupana, Horana. Titled the 'Green environment & bio-diversity concept' this has successfully contributed towards reducing the adverse environmental impact of emissions in the manufacturing processes of rubber. The concept complies with all national environmental standards and statutory regulations that promote recycling resources, reducing solid waste and conserving energy.

Subsidiary, Ceymac Rubber Company Limited, has introduced extensive effluent treatment initiatives to mitigate the adverse environmental impacts of its rubber production. Industrial waste water generated from the factory's production of TSR (Technically Specified Rubber) is diverted to an effluent treatment system and treated. This treated water is then discharged into a pond that supports the natural eco-system into which fish have been introduced to monitor water quality. Regular testing ensures that the quality of the discharged water is not harmful to the environment and complies with Central Environmental Authority (CEA) requirements.

The Company uses Biomass Gasification to generate the thermal energy needed for producing the rubber. This process produces low emissions of unburnt primary fuel and has no by-products like flying ash because the fuel is converted into a gas and passed through a cleaning and cooling process that removes particulates. Biomass is an attractive option for renewable energy due to its many economic, social and environmental benefits.

Future Plans

The Company will continue to seek new and innovative ways in which to reduce its environmental footprint and enhance the quality of life of communities, while it continues to create value for all stakeholders.

A goal for the near future is to working towards recognition at the National Green Awards 2016/17 organized by the CEA. This is a premier environmental award presented to organizations that introduce innovative green initiatives.

Human Capital

C.W. Mackie Group supports a values-based approach to human capital that promotes a culture of shared core values among all employees and establishes a sense of community. A values-driven culture makes employees feel important and encourages a unified and motivated workforce that inspires trust. Strongly held systems also remain flexible to meet external changes such as competition or fluctuations in the economy.

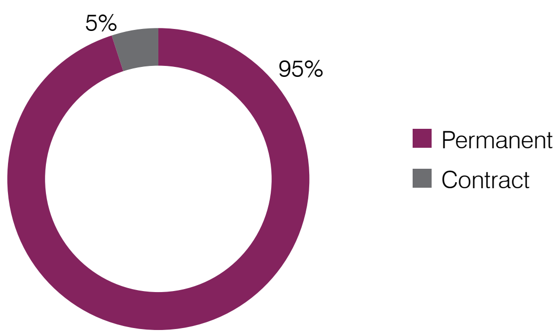
Staff Overview

The Group has a total staff strength of 582 employees in the Parent Company and its three subsidiaries, Ceymac Rubber Company Limited, Ceytra (Private) Limited and Kelani Valley Canneries Limited and of which 103 are in the Executive cadre and 479 are Non-Executives. About 95% of staff are permanent and only a very small proportion, mainly outsourced staff, are on contract. It is the policy to source staff only from manpower suppliers who comply with all legal and statutory obligations to their staff.

Employment Type Analysis

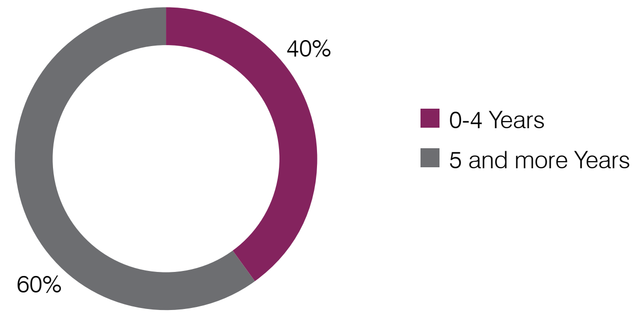
This values-based culture has reaped rich dividends over the years and is the key factor for its record of high employee retention.

Employment Type Analysis



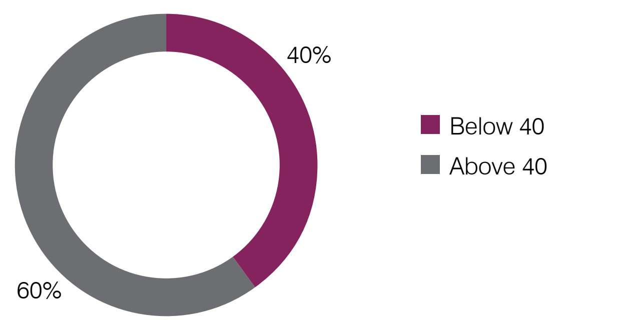
Retention ratios are well above industry standards, more than 60% of staff have completed 5 years of service.

Employee Service Analysis



The Group has a healthy mix of mature, more experienced staff of over 40 years of age, as well as a younger staff below 40 years who are open to innovative business ideas and technological development.

Employee Age Analysis



Learning and Development

We aim to develop a learning culture throughout the Group. Human Resource initiatives have been designed to fill identified knowledge gaps with training, which upgrades employees' knowledge and improves also their sense of self-worth.

Personal and professional employee development is critical for business growth, because developing employees improve their productivity and contribution to business goals, as well as keeping them personally interested and involved in the Company's growth and progress. This ultimately reflects in positive bottom-line growth.

Several need-based training initiatives took place during the year. A key training that provided the sales team with invaluable learning opportunities was the Diploma in Sales (DIS) offered by the Sri Lanka Institute of Marketing (SLIM). The Company organised a formal graduation ceremony in March 2017 for the new graduates, which was attended by their proud parents.

'Finance for Non-Finance Managers' during the year was a programme for heads of Divisions, which proved a favourite. It taught participants the principles of interpreting financial statements and indicators that determine the health of a business.

Staff are also provided with local and overseas training to develop them personally and professionally, which enhances their quality of life and improved the Company's productivity.

Performance Management

An effective performance management system is in place that enables evaluation and measurement of employee performance, based on assessing individual KPIs through a structured performance evaluation (PE) process.

Performance management has a number of benefits for both the employee and the organisation. It helps align the employee's contribution with strategic business objectives and sets clear goals and defines the Company's expectations of him, which have an end result in increased productivity.

A rewards performance at all staff levels are recognized, which has been a key retention strategy. Our efforts to enhance the performance management systems and reward structures in line with industry best practice have resulted in a significant improvement in our employee retention.

The performance of the field sales force was recognized at the Annual Sales Conference held at Club Palm Bay, Marawila in May 2017. The Company has also introduced a system to reward best performers an overseas pleasure trip.

Human Capital (Contd.)

Recruitment

The Human Resource Division oversees recruitment, from selection to interviewing, testing and evaluation and on recruitment and provides the necessary support and facilities to ensure that the new employee is well established in the job. Sourcing and identifying training opportunities is also an important component of the functions of the Division.

The Group has a transparent non-discriminatory recruitment policy that does not differentiate in terms of gender, religion or ethnicity and follows all relevant labour laws applicable to the industry. Child labour or the employment of children for labour is discouraged and the minimum recruitment age at 18 years is strictly enforced.

HR strategy is geared to recruiting and retaining the cream of industry talent and has several incentives to recruit the right candidates, including an attractive remuneration package of financial, as well as non-financial incentives.

Capital investment

During the year under review, an investment was made in both people and capital. A strategic decision was taken to substantially upgrade its performance review system to a state-of-the-art cloud based Human Resources Information System (HRIS). This will substantially upgrade performance management and enable staff to access their performance related data online and even interact online with their supervisors on matters of leave approval etc.

Industrial Relations

C. W. Mackie PLC is a member of the Employer's Federation of Ceylon and strictly complies with all applicable legal and statutory obligations and requirements that pertain to staff. No industrial issues arose during the year and feedback received confirm that employees were satisfied with the remuneration and benefits received.

We have an open door policy that allows employees direct access to senior management and any matters for debate or dispute are promptly dealt with.

Employee Relations

Staff Welfare

To promote fellowship and team spirit, a range of activities are organized for staff as well as their families, which include events organised by the "CWM Sports Club", religious ceremonies, sports day etc. The Sports Club organised a health camp carried out by the National Hospital in August 2016 that enabled staff to undergo medical screening processes/ examinations for a comprehensive list of health issues, including dental health.

The Company also supports organisations within the Group for employee welfare such as the Sports Club, Death Donation Fund and the Employee Thrift and Savings Co-operative Society to maintain better employee relations.

Risk Management

Overview

Risk Management framework of C. W. Mackie PLC is designed to achieve maximum integration of risk management in the normal business processes. The aim of the risk management system, inter alia, is to ensure that the extent to which the Company's strategy and operational objectives are being achieved is understood, the Company's reporting is reliable and that it complies with relevant laws and regulations. The management of the Company is primarily responsible for risk management, but the Board of Directors, internal auditor and the external auditor too play critical roles.

Our Approach to Risk Management

Our broadened definition for risk is the potential occurrence of an external or internal event that may negatively impact our ability to achieve the Groups' business objectives. Its significance is measured in terms of impact and likelihood of occurrence.

Risk Management is considered as one of the important functions of our Group. The Group reviews and assesses significant risks on a regular basis. It is important to identify risks that may prevent a business from realizing its potential and to manage them in order to minimize adverse effects and maximize positive outcomes.

Our risk management process involves identifying, analyzing and evaluating risks and treating such risks by taking steps to reduce and eliminate the losses which may be faced by the Group. As a part of the Risk Management process, at the Group level, the Board of Directors review its strategies, processes, procedures and guidelines on a continuous basis to effectively identify assess and respond to risks.

The Company has established comprehensive internal control systems and other risk mitigation techniques to ensure a sustainable return to shareholders on their investment and to meet its obligations to other stakeholders. Our risk infrastructure is designed to identify, evaluate and mitigate risks within each of the following categories:

Risk Factors

1. Strategic Risk

Strategic risk relates to the Group's future business plans and strategies and includes risks associated with the markets and industries in which we operate, demand for our products and services, competitor threats, technology and product innovation.

2. Operational Risk

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

The Group faces a number of operational risks on an ongoing basis, including: Stock management; Supply chain management; Key supplier failure and IT security. The Group is focused on continuously improving its controlling and monitoring processes to ensure smooth functioning of all operations.

3. Financial Risk

Financial risk relates to our ability to meet financial obligations and mitigate, inter alia, credit risk, liquidity risk including volatility in foreign currency exchange rates and interest rates and commodity prices.

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

3.1 Credit Risk Management

Credit risks arise due to the non-payment by customers, which can lead to financial losses. Due to the nature of operations and economic conditions, the Company has provided its customers with fair credit periods to facilitate a smooth flow in operations. The Company implements proper credit control policies, which evaluates customers periodically, structured approval levels, recovery procedures, obtaining adequate security via bank guarantees and debt collection policies to ensure that the Company selects and maintains only reliable distributors/customers who are able to honor their debts.

3.2 Market Risk Management

Market risk refers to the risk arising from the volatilities in market forces. The Company faces market risk in the financial sphere in terms of the local rates of interest, inflation and exchange rate. In order to mitigate these risks, the Company monitors and evaluates market forces and implements adequate controls.

3.2.1 Foreign Exchange Risk

The Company operates in a business model where it has exports and imports. As a result, the Company is exposed to foreign exchange rate fluctuations. The Company mostly uses its export proceeds to settle import bills. By these means

Risk Management (Contd.)

the Company effectively provides for its foreign exchange exposure by minimizing any adverse impact.

3.2.2 Interest Rate Risk

This risk may arise due to potential losses as a result of adverse movement of interest rates. By having a centralized treasury management system and through appropriate financial risk management techniques, the Company has been able to mitigate losses arising through interest rate fluctuations.

3.2.3 Inflation Rate Risk

The Company serves both individuals and institutional clients. Upward movements in inflation rates deteriorates the purchasing power of customers and will reduce the potential demand for products and increase the Company's cost base. The Company closely monitors fluctuations in price levels and focuses on the efficient management of its cost base to ensure minimal increase in price to customers.

3.2.4 Liquidity Risk

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

4. Legal and Compliance

Legal and compliance risk relates to changes in the Government and regulatory environment, compliance requirements with policies and procedures, including those relating to financial reporting, environmental health and safety and intellectual property risks. Government and regulatory risk is the risk that the Government or its regulatory actions which will impose additional cost or cause us to change our business models or practices.

5. Business Risk

New entrants into the markets and the intensification of competition from existing players in these markets, variation in consumer spending patterns and effects of the weather conditions for certain business segments are the significant business risks that the Group faces.

6. Human Resource Risk

This risk arises as a result of failure to attract, develop and retain a skilled workforce. Well-structured processes are in place to identify critical employees and retain them in the long run.

7. Principal Risk

This can be defined as loss of principals or business partners due to intense competition and global mergers and acquisitions. In order to mitigate this risk, the Company maintains relationships with principals or business partners in a manner that mutually benefits all parties involved. Further, regular assessment of service levels is done in order to ensure that business partner expectations are met.

Governance of Risk Management

Group Management Committee, C. W. Mackie PLC Board and Board Audit Committee work closely to ensure that risk management complies with the relevant standards and that it is working effectively.

As an integral part of risk management, the Board Audit Committee overlooks the adequacy and efficiency of internal controls across the Group through internal audit reports and compliance statements.

Report of the Remuneration Committee

The Remuneration Committee of the Board of Directors of C. W. Mackie PLC consists of the two (2) Independent/Non-Executive Directors, viz. Deshabandu A. M. de S. Jayaratne (Chairman of the Committee) and Mr. H. D. S. Amarasuriya and Non-Executive Director, Mr. S. D. R. Arudpragasam. Mr. W. T. Ellawala (Chairman/Chief Executive Officer of the Company) also participates by invitation and assists by providing relevant information during deliberations of the Committee. The Company Secretary functions as Secretary to the Remuneration Committee.

Written Terms of Reference approved by the Board of Directors deal clearly with the authority and duties of the Remuneration Committee.

The Remuneration Committee determines and recommends to the Board the remuneration levels of Executive Director/s, Group Management/Senior Executives based on a structured methodology in evaluating their performance annually. It is ensured that the remuneration at each level of management is competitive and based on performance, they are rewarded in a fair manner.

The remuneration policy of the Company is to attract, motivate and retain high quality executive talent by reference to corporate goals and objectives resolved by the Board from time to time.

Proceedings of the Remuneration Committee Meetings are circulated to the full Board of the Company.

A. M. de S. Jayaratne
Chairman
Board of Directors Remuneration Committee

30 May 2017

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee of the Board of Directors of C. W. Mackie PLC consists of the two (2) Independent/Non-Executive Directors, viz. Mr. H. D. S. Amarasuriya (Chairman of the Committee) and Deshabandu A. M. de S. Jayaratne and Mr. W. T. Ellawala (Chairman/Chief Executive Officer of the Company) and Mr. K. T. A. Mangala Perera, Executive Director. The Company Secretary functions as Secretary to the Committee.

Written terms of reference approved by the Board of Directors deal clearly with the authority and duties of the Related Party Transaction Review Committee. The purpose of the Committee is to provide independent review and oversight of all proposed Related Party Transactions, other than those exempt, as may be defined from time to time under the Listing Rules of the Colombo Stock Exchange (CSE Rules).

The Committee has adopted the Related Party Transactions policy set out in the terms of reference, prepared in accordance with the rules pertaining to Related Party Transactions set out in Section 9 of the CSE Rules, which is the Company's policy governing the review, approval and oversight of Related Party Transactions with the intention of providing guidance and direction on Related Party Transactions. Policy objectives are:

(i) To ensure that every Related Party Transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and

(ii) To ensure proper review, approval and disclosure of transactions between the Company and any Related Party in compliance with legal and regulatory requirements.

The Committee was set up as per the directive of the Securities and Exchange Commission of Sri Lanka of 12 December 2013 and is constituted as required by the CSE Rules on Related Party Transactions. The Committee, upon becoming mandatory with effect from 1 January 2016, has met quarterly and discussed, *inter alia*, the nature of the transactions that should be approved by the Committee as stipulated by the CSE Rules. The Committee also has taken steps to review and strengthen the existing process of identifying related parties, capturing Related Party Transactions and reporting on such transactions as required by the CSE Rules and obtained appropriate professional and expert advise in the discharge of its functions.

Proceedings of the Related Party Transactions Review Committee Meetings are circulated to the full Board of the Company.

There were no Non-Recurrent Related Party Transactions where the aggregate value exceeds 10% of the equity or 5% of the total assets, whichever is lower or Recurrent Related Party Transactions, where the aggregate value exceed 10% of the gross revenue/income as per the audited financial statements for the year ended 31 March 2017.

H. D. S. Amarasuriya
Chairman
Board of Directors Related Party Transactions Review Committee

30 May 2017

Report of the Audit Committee

The Audit Committee of the Board of Directors of C. W. Mackie PLC consists of the two (2) Independent/Non-Executive Directors, viz. Deshabandu A. M. de S. Jayaratne (Chairman of the Committee), Mr. H. D. S. Amarasuriya and Non-Executive Director, Mr. Anushman Rajaratnam. Their wide range of financial knowledge, professional skills and business acumen enable their functions to be carried out efficiently and effectively. Mr. W. T. Ellawala (Chairman/Chief Executive Officer of the Company) and Mr. B. A. F. G. Suares (Chief Financial Officer) attend meetings as *ex-officio* members. The External Auditors, KPMG, Chartered Accountants, attend meetings on invitation. Other officials of the Company and the Internal Auditor, a leading professional firm of Chartered Accountants to which the internal audit function has been outsourced, attend meetings on a need basis. The Company Secretary functions as Secretary to the Audit Committee.

During the financial year ended 31 March 2017 the Audit Committee had four (4) meetings. The minutes of the Audit Committee meetings are circulated to the full Board of the Company.

Role of the Committee

Written Terms of Reference approved by the Board of Directors deal clearly with the authority and duties of the Audit Committee. It is, *inter alia,* empowered to review the adequacy and effectiveness of the internal control and risk management systems of the Group and its compliance with legal and regulatory requirements; the adequacy and performance of the Internal Audit function and the External Auditors qualifications, performance and independence.

Financial Reporting

The Audit Committee, *inter alia,* reviewed and discussed the quarterly and annual financial statements of the Group with the Management, particularly with reference to compliance with statutory requirements of Sri Lanka Accounting Standards, Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange and recommended to the Board they approve the same prior to their release to the Colombo Stock Exchange and Shareholders.

Internal Audit, Risks and Control

In view of the fact that the Company has adopted a risk based approach, the effectiveness of the internal control procedures in place to identify and manage all significant risks are being reviewed by the Audit Committee. A Risk Management Framework assesses and measures all risks. The Audit Committee seeks and obtains the required assurances from the Group Management Committee and the Internal Auditors on the remedial action in respect of the identified risks in order to maintain the effectiveness of internal control procedures in place.

Accordingly, the Audit Committee is satisfied that organizational controls and the Risk Management Framework in place provide a reasonable assurance as to the reliability of the Company's financial reporting, safeguarding of its assets and compliance with statutory requirements, as well as compliance with the Listing Rules of the Colombo Stock Exchange.

The adequacy of the internal audit plans and scope for the Group was reviewed by the Committee. Reports issued by the Internal Auditors on the operations of the Company and its subsidiaries were reviewed and discussed with the Management.

External Audit

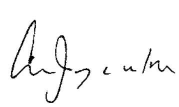
The Audit Committee has discussed with the External Auditors the scope and conduct of the annual audit.

Before the conclusion of the audit, the Committee met with the External Auditors to discuss all audit issues and to agree on their treatment.

The Audit Committee has reviewed the Management Letter issued by the External Auditors and is satisfied as to the follow up action as necessary in respect thereof by the Management.

Having reviewed the performance of the External Auditors, the Audit Committee has no reason to doubt their effectiveness and independence. A confirmation has been received from the External Auditors as to their compliance with the `independence' guidance as given in the Code of Professional Conduct and Ethics by the Institute of Chartered Accountants of Sri Lanka.

The Audit Committee after evaluating the effectiveness of the independent performance of the External Auditors, has recommended to the Board of Directors that KPMG, Chartered Accountants, be re-appointed Auditors for the financial year ending 31 March 2018 at a remuneration to be determined by the Board, subject to the approval of the Shareholders at the Annual General Meeting.



A. M. de S. Jayaratne
Chairman
Board of Directors Audit Committee

30 May 2017

FINANCIAL STATEMENTS

Independent Auditors' Report

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF C.W. MACKIE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of C.W. Mackie PLC (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the " Group"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, 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 set out on pages 70 to 118.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following;

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:
   - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
   - The financial statements of the Company give a true and fair view of its financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
   - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

Chartered Accountants
30 May 2017
Colombo

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
For the year ended 31 March	Note	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
Revenue	5	8,837,350	7,859,633	8,162,754	7,202,047
Cost of sales		(7,554,460)	(6,720,945)	(6,997,246)	(6,126,648)
Gross profit		1,282,890	1,138,688	1,165,508	1,075,399
Other operating income	6	132,042	125,140	160,206	134,541
Distribution expenses		(552,773)	(467,797)	(513,742)	(449,563)
Administrative expenses		(445,720)	(386,243)	(380,290)	(327,434)
Results from operating activities	7	416,439	409,788	431,682	432,943
Finance income		3,561	29,534	3,653	23,460
Finance costs		(70,932)	(37,399)	(57,469)	(25,492)
Net financing costs	8	(67,371)	(7,865)	(53,816)	(2,032)
Profit before taxation		349,068	401,923	377,866	430,911
Income tax expense	9.1	(111,937)	(123,401)	(112,737)	(119,212)
Profit for the year		237,131	278,522	265,129	311,699
Other comprehensive income/(expense) net of income tax					
Items that will not be reclassified to profit or loss					
Actuarial gain on defined benefit plans		10,056	7,842	6,399	4,920
		10,056	7,842	6,399	4,920
Items that are or may be reclassified subsequently to profit or loss					
Net change in fair value on available-for-sale investments reclassified to profit or loss		-	(1,236)	-	(1,236)
		-	(1,236)	-	(1,236)
Other comprehensive income for the year, net of tax		10,056	6,606	6,399	3,684
Total comprehensive income for the year		247,187	285,128	271,528	315,383
Profit/(loss) attributable to:					
Equity holders of the parent		236,477	285,251	265,129	311,699
Non-controlling interests		654	(6,729)	-	-
Profit for the year		237,131	278,522	265,129	311,699
Total comprehensive income/(expense) attributable to:					
Equity holders of the parent		246,209	291,594	271,528	315,383
Non-controlling interests		978	(6,466)	-	-
Total comprehensive income for the year		247,187	285,128	271,528	315,383
Basic earnings per share (Rupees)	10	6.57	7.93	7.37	8.66
Dividend per share (Rupees)	11	3.50	3.00	3.50	3.00

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form an integral part of the Financial Statements set out on pages 76 to 118.

Statement of Financial Position

As at 31 March	Note	Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
Assets					
Non-current assets					
Property, plant and equipment	12.1 / 12.2	728,255	809,085	311,988	374,095
Investment property	12.3	33,578	38,377	33,578	38,377
Intangible assets	12.4	40,866	7,997	40,866	7,997
Investments in subsidiaries	13	-	-	586,507	586,507
Deferred tax asset	27.1	9,395	9,395	-	-
Total non-current assets		812,094	864,854	972,939	1,006,976
Current assets					
Inventories	14	895,496	888,797	804,576	739,526
Trade and other receivables	15	2,136,222	1,864,063	1,948,447	1,759,986
Held to maturity investments	16	-	360	-	-
Cash and cash equivalents	17	88,268	48,243	83,294	37,328
		3,119,986	2,801,463	2,836,317	2,536,840
Assets held for sale	18	207,956	-	207,956	-
Total current assets		3,327,942	2,801,463	3,044,273	2,536,840
Total assets		4,140,036	3,666,317	4,017,212	3,543,816
Equity and liabilities					
Equity					
Stated capital	19	507,047	507,047	507,047	507,047
Capital reserves	20	8,734	8,734	14,909	14,909
Revenue reserves	21	1,622,935	1,502,686	1,762,832	1,617,264
Equity attributable to equity holders of the parent		2,138,716	2,018,467	2,284,788	2,139,220
Non-controlling interests	22	29,009	28,031	-	-
Total equity		2,167,725	2,046,498	2,284,788	2,139,220
Liabilities					
Non-current liabilities					
Long term borrowings	23.2	3,525	1,960	-	-
Lease payable after one year	24	-	-	-	-
Retirement benefit obligation	25	42,465	49,850	17,454	23,517
Deferred income/revenue	26.1	400	-	-	-
Deferred tax liability	27.1	31,649	40,228	29,008	35,676
Total non-current liabilities		78,039	92,038	46,462	59,193
Current liabilities					
Deferred income/revenue	26.1	75	-	-	-
Current portion of long term borrowings	23.2	1,376	672	-	-
Lease payable within one year	24	-	-	-	-
Interest bearing short term borrowings	28	930,629	800,000	792,629	685,000
Income tax payable	29	68,641	55,855	67,531	55,855
Trade and other payables	30	817,112	544,479	777,656	499,522
Bank overdrafts	17	76,439	126,775	48,146	105,026
Total current liabilities		1,894,272	1,527,781	1,685,962	1,345,403
Total Liabilities		1,972,311	1,619,819	1,732,424	1,404,596
Total equity and liabilities		4,140,036	3,666,317	4,017,212	3,543,816
Net asset value per share (Rupees)		59.43	56.09	63.49	59.44

The Financial Statements are to be read in conjunction with the related notes, which form an integral part of the Financial Statements set out on pages 76 to 118.

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Gerard Suares
Chief Financial Officer

The Board of Directors are responsible for preparation and presentation of these Financial Statements.

The Financial Statements on pages 70 to 118 were approved by the Board of Directors and were signed in Colombo on 30 May 2017 on its behalf by :

W. T. Ellawala
Director

K. T. A. Mangala Perera
Director

Statement of Changes in Equity

For the year ended 31 March 2017

Group	Attributable to equity holders of the parent company						Non-controlling Interests	Total equity
	Stated capital	Capital reserve	Available for sale reserve	General reserve	Retained earnings	Total		
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Balance as at 1 April 2015	507,047	8,734	1,236	7,000	1,313,112	1,837,129	34,615	1,871,744
Total comprehensive income for the year								
Profit/(loss) for the year	-	-	-	-	285,251	285,251	(6,729)	278,522
Other comprehensive income/(expense), net of tax	-	-	(1,236)	-	7,579	6,343	263	6,606
Total comprehensive income/(expense) for the year	-	-	(1,236)	-	292,830	291,594	(6,466)	285,128
Contributions by and distributions to equity holders								
Dividends	-	-	-	-	(107,966)	(107,966)	-	(107,966)
Reclassification of preference shares of subsidiary	-	-	-	-	(2,290)	(2,290)	-	(2,290)
Purchase of subsidiary shares from non controlling interests	-	-	-	-	-	-	(118)	(118)
Total distributions to equity holders	-	-	-	-	(110,256)	(110,256)	(118)	(110,374)
Balance as at 31 March 2016	507,047	8,734	-	7,000	1,495,686	2,018,467	28,031	2,046,498
Balance as at 1 April 2016	507,047	8,734	-	7,000	1,495,686	2,018,467	28,031	2,046,498
Total comprehensive income for the year								
Profit for the year	-	-	-	-	236,477	236,477	654	237,131
Other comprehensive income, net of tax	-	-	-	-	9,732	9,732	324	10,056
Total comprehensive income for the year	-	-	-	-	246,209	246,209	978	247,187
Contributions by and distributions to equity holders								
Dividends	-	-	-	-	(125,960)	(125,960)	-	(125,960)
Total distributions to equity holders	-	-	-	-	(125,960)	(125,960)	-	(125,960)
Balance as at 31 March 2017	507,047	8,734	-	7,000	1,615,935	2,138,716	29,009	2,167,725

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form an integral part of the Financial Statements set out on pages 76 to 118.

For the year ended 31 March 2017

Company	Stated capital Rs.000's	Capital reserve Rs.000's	Available for sale reserve Rs.000's	General reserve Rs.000's	Retained earnings Rs.000's	Total equity Rs.000's
Balance as at 1 April 2015	507,047	14,909	1,236	7,000	1,364,377	1,894,569
Total comprehensive income for the year						
Profit for the year	-	-	-	-	311,699	311,699
Other comprehensive income/(expense), net of tax	-	-	(1,236)	-	4,920	3,684
Total comprehensive income/(expense) for the year	-	-	(1,236)	-	316,619	315,383
Contributions by and distributions to equity holders						
Net asset change due to merger of the subsidiary **(Note C)**	-	-	-	-	37,234	37,234
Dividends	-	-	-	-	(107,966)	(107,966)
Total distributions to equity holders	-	-	-	-	(70,732)	(70,732)
Balance as at 31 March 2016	507,047	14,909	-	7,000	1,610,264	2,139,220
Balance as at 1 April 2016	507,047	14,909	-	7,000	1,610,264	2,139,220
Total comprehensive income for the year						
Profit for the year	-	-	-	-	265,129	265,129
Other comprehensive income, net of tax	-	-	-	-	6,399	6,399
Total comprehensive income for the year	-	-	-	-	271,528	271,528
Contributions by and distributions to equity holders						
Dividends	-	-	-	-	(125,960)	(125,960)
Total distributions to equity holders	-	-	-	-	(125,960)	(125,960)
Balance as at 31 March 2017	507,047	14,909	-	7,000	1,755,832	2,284,788

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form an integral part of the Financial Statements set out on pages 76 to 118.

Statement of Cash Flow

For the year ended 31 March		Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
Cash flows from operating activities					
Profit before taxation		349,068	401,923	377,866	430,911
Adjustments for:					
Depreciation and amortisation of investment property, intangible assets and property, plant and equipment		99,562	92,662	74,105	38,688
Profit on disposal of property, plant and equipment		(15,115)	(18,814)	(13,749)	(864)
Profit on disposal of available for sale investments		-	(1,245)	-	(1,245)
Write-off of property, plant and equipment		-	454	-	448
Provision for retirement benefit obligation		13,973	14,037	8,453	8,687
Finance income		(876)	(1,172)	(1,100)	(668)
Finance costs		70,932	37,399	57,469	25,492
Provision for compensation under voluntary retirement scheme		4,875	10,645	2,750	-
Unrealised profit on inventory		(1,596)	(1,545)	-	-
Provision for slow moving inventories		6,289	5,291	4,409	3,390
Provision for market returns		9,463	19,458	8,443	19,458
Provision for impairment of trade receivables		7,169	1,110	6,749	1,143
Provision for impairment of held to maturity investments		360	-	-	-
Provision/(reversal) for impairment of other receivables		(1,652)	10,817	-	1,150
Operating profit before working capital changes		542,452	571,020	525,395	526,590
Changes in working capital					
Change in inventories		(11,392)	(206,627)	(69,459)	(180,706)
Change in trade and other receivables		(277,676)	(340,581)	(195,210)	(385,199)
Change in trade and other payables		263,170	84,542	269,691	69,477
Change in deferred income/revenue		475	-	-	-
Cash generated from operating activities		517,029	108,354	530,417	30,162
Interest paid		(70,932)	(31,798)	(57,469)	(25,097)
Payments to gratuity fund		(10,548)	(9,611)	(8,117)	(7,136)
Gratuity paid		(754)	(471)	-	-
Compensation paid under voluntary retirement scheme		(4,875)	(10,645)	(2,750)	-
Income tax/ESC paid		(107,730)	(115,498)	(107,729)	(105,464)
Net cash flows from/(used in) operating activities		322,190	(59,669)	354,352	(107,535)
Cash flows from investing activities					
Purchase of property, plant and equipment		(262,382)	(90,348)	(250,309)	(78,722)
Proceeds from disposal of property, plant and equipment		22,739	30,737	16,034	1,262
Proceeds from disposal of available for sale investments		-	1,321	-	1,321
Purchase of subsidiary shares from non-controlling interests		-	(118)	-	(118)
Dividend received		-	64	-	64
Net cash flows used in investing activities		(239,643)	(58,344)	(234,275)	(76,193)
Cash flows from financing activities					
Long term borrowings obtained/(repayment)		2,269	(728)	-	-
Short term borrowings obtained		130,629	202,751	107,629	197,598
Lease rental paid		-	(62,587)	-	(3,695)
Interest received		876	1,108	1,100	604
Dividend paid		(125,960)	(107,966)	(125,960)	(107,966)
Net cash flows from/(used in) financing activities		7,814	32,578	(17,231)	86,541
Net changes in cash and cash equivalents		90,361	(85,435)	102,846	(97,187)
Cash and cash equivalents at beginning of the year		(78,532)	6,903	(67,698)	31,084
Net cash flow due to merger of subsidiary	(Note B)	-	-	-	(1,595)
Cash and cash equivalents at the end of the year	(Note 17)	11,829	(78,532)	35,148	(67,698)

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements set out on pages 76 to 118.

Note - Merger of Scan Tours and Travels (Private) Limited

(A) Scan Tours and Travels (Private) Limited a wholly owned subsidiary of C. W. Mackie PLC was amalgamated with effect from 31 March 2016.

The merger was effected in terms of section 242 of the companies Act No. 07 of 2007 regarding short form of amalgamation.

The merger had following effects on the Company's assets and liabilities:

	Rs.000's
Assets	
Property, plant and equipment	26,644
Related party receivables	38,102
Cash and cash equivalents	3,729
	68,475
Less:	
Liabilities	
Trade and other payable	110
Bank overdraft	5,324
	5,434
Stated capital	6,000
	11,434
Net assets of merged entity	57,041

(B) Analysis of cash and cash equivalents as at the date of the merger of the subsidiary

	Rs.000's
Cash and cash equivalents	3,729
Bank overdraft	(5,324)
Net cash outflow as at the date of merger of subsidiary	(1,595)

(C) Net asset change due to merger of the subsidiary

	Rs.000's
Deemed cost of investment in C. W. Mackie PLC	25,807
Less:	
Stated capital of merged entity	6,000
	19,807
Net assets of merged entity	57,041
Net asset change due to merger of subsidiary	37,234

Notes to the Financial Statements

1. Reporting Entity

1.1 Domicile and legal form

C.W.Mackie PLC is a Group incorporated and domiciled in Sri Lanka. The registered office of the Group and principal place of business is located at No.36, D.R. Wijewardena Mawatha, Colombo 10.

The C. W. Mackie PLC Group presently consists of C. W. Mackie PLC and three subsidiary companies namely, Ceymac Rubber Company Limited, Ceytra (Private) Limited and Kelani Valley Canneries Limited.

1.2 Principal activities and nature of operations

The C. W. Mackie PLC Group is engaged in a diversity of activities such as export of natural rubber and desiccated coconut; rubber-based products for export and sale locally; import, manufacture, distribution and export of branded consumer products including processed tropical fruits; import and distribution of sugar; import and resale of branded marine paints and protective coatings, welding equipment and consumables, refrigeration and air-conditioning components and light engineering products; and motor car rentals to Group Companies.

1.3 Ultimate parent enterprise

The Company is a subsidiary of Lankem Ceylon PLC, whilst its ultimate holding company is The Colombo Fort Land & Building Company PLC.

2. Basis of Preparation

2.1 Statement of compliance

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting standards issued by the Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 7 of 2007.

2.2 Basis of measurement

The Financial Statements have been prepared on historical cost basis except where appropriate disclosures are made with regard to fair value under relevant Notes. Assets and liabilities are grouped by nature and in an order that reflect their relative liquidity. The Financial Statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future.

2.3 Functional and presentation currency

The Financial Statements of the Group are presented in Sri Lankan Rupees, which is the Group's functional currency. All values presented in the Financial Statements are in Sri Lanka Rupees unless otherwise indicated.

2.4 Use of estimates and judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Group's Financial Statements is included in the respective notes.

3. Significant Accounting Policies

Group has consistently applied the accounting policies set out below to all periods presented in these Consolidated Financial Statements.

3.1 Basis of consolidation

The Consolidated Financial Statements comprise those of the Company and its subsidiary companies.

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Company. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

3.1.2 Non-controlling interest

The total profits and losses of the subsidiary companies are included in the Consolidated Statement of Comprehensive Income and the proportion of the profit or loss after taxation applicable to outside shareholders of the Group have been shown as non-controlling interest.

All assets and liabilities of the Company and its subsidiaries are included in the Group Statement of Financial Position. The interest of outside shareholders in the net assets employed, represented by the paid up value of shareholders and the respective reserves and retained profits, is stated separately in the Consolidated Statement of Financial Position under the heading “Non-controlling interests”.

3.1.3 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency translations

Transactions in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate ruling as at the reporting date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates of the transactions. Non-monetary assets and liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates that the fair value were determined. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

3.3 Financial instruments

3.3.1 Non-derivative financial assets

The Group’s non-derivative financial assets comprise loans and receivables and available-for-sale financial assets.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.3.1.1 Loans and receivables

Loans and receivables comprise trade and other receivables.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

3.3.1.2 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for- sale and that are not classified in any of the previous categories. The Group’s investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in Other Comprehensive Income is transferred to profit or loss.

3.3.1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances. Bank overdrafts that are repayable on demand which form an integral part of the Company’s cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flow.

3.3.1.4 Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Notes to the Financial Statements (Contd.)

3.3.2 Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The non-derivative financial liabilities of the Group comprise loans and borrowings, finance lease payable, bank overdrafts, trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.3.3 Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.4 Property, plant and equipment

3.4.1 Recognition and measurement

Items of property, plant and equipment are measured at cost revalued amount less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets include the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

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

The carrying values of property, plant and equipment are reviewed for impairment when there are indications of impairments that the carrying value of the assets may not be recoverable.

3.4.2 Subsequent costs

The cost of replacing of a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Comprehensive Income as an expense as incurred.

3.4.3 Derecognition

Items of property, plant and equipment are derecognised upon replacement,disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

3.4.4 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Buildings on freehold land	40 years
Buildings on leasehold land	40 years or period of the lease, whichever is less
Plant, machinery and tools	6 2/3 years
Motor vehicles	5 years
Furniture and fittings	6 2/3 years
Factory, office and lab equipment	2-5 years
Computer and other installations	5 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

3.4.5 Capital work in progress

Capital expenses incurred during the period which are not completed as at the reporting date are shown as capital work-in-progress, whilst the capital assets which have been completed during the period and put to use have been transferred to property, plant and equipment if any.

3.5 Investment property

The land and buildings held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes are classified as 'investment properties' to be accounted on the cost model. However, if there is impairment in value, other than of a temporary nature, the carrying amount is reduced to recognise the decline.

3.6 Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

3.6.1 Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.6.2 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available-for-use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is as follows:

Computer software and licenses 4-5 years

3.7 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

3.8 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as 'finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Goods in transit are determined based on actual cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.10 Impairment

3.10.1 Financial assets (including derivatives)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Notes to the Financial Statements (Contd.)

The Group considers evidence of impairment for receivables at collective level. All receivables with similar risk characteristics are grouped together and collectively assessed for any impairment that has been incurred but not yet identified.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3.10.2 Non financial assets

The carrying amounts of the Group's non financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite lived intangible assets are tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Provisions

A provision is recognised in the Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.12 Employee benefits

3.12.1 Defined contribution plans

A defined contribution plan is a post employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as expense in profit or loss in the period during which services are rendered by employees.

Mercantile Service Provident Society

The Group and executive staff contribute 15% and 10% respectively and the Group and clerical staff (other than Scan Division of C. W. Mackie PLC) contribute 12% and 8% respectively on the gross salary of each employee to the approved Provident Fund.

Employees Provident Fund

The Group and employees contribute 12% and 8% respectively on the gross salary of each employee to the approved Provident Fund.

Employees Trust Fund

The Group contributes 3% of the gross salary of each employee to the Employees' Trust Fund.

3.12.2 Defined benefit plans

A defined benefit plan is a post employment benefit plan other than a defined contribution plan. The defined benefit plan expense is recognised immediately in profit or loss and the Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

Retiring gratuity

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983. This item is grouped under 'retirement benefit obligation' in the Statement of Financial Position.

Provision for retirement benefit obligation on the employees of the Group is on an actuarial basis using the Projected Unit

Credit Method (PUC Method) as recommended by LKAS 19, "Employee Benefits". The Group continues to use actuarial method under Sri Lanka Accounting Standard 19, "Employee Benefits".

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The assumptions based on which the results of actuarial revaluation was determined are included in Note 25 to the Financial Statements.

3.13 Commitments and contingencies

Contingencies are possible assets or obligations that arise from past events and whose existence will be confirmed only by occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingencies and capital commitments of the Group are disclosed in Note 33 and 34 respectively to the Financial Statements.

3.14 Events after the reporting period

The materiality of the events after the reporting period has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

3.15 Revenue

3.15.1 Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

3.15.2 Rendering of services

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

3.15.3 Other income

Lease rental income

Rental income from investment property is recognised in profit or loss on an straight line basis over the term of the agreement. Rental income is recognised as other income.

3.16 Lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.17 Government grants

Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

3.18 Other expenditure

All expenditure incurred in running of the business and in maintaining the capital assets in a state of efficiency has been charged to the profit or loss for the year.

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

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

3.18.1 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income and gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues in profit

Notes to the Financial Statements (Contd.)

or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance Costs comprise interest expense on borrowings recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

3.18.2 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in Equity or in Other Comprehensive Income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, of which the operating results are reviewed regularly by the Group Management Committee to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.20 Basic earnings per share

The Group presents basic Earnings Per Share (EPS) data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of Ordinary Shares outstanding during the period.

3.21 Statement of cash flows

The Statement of Cash Flows has been prepared using the "indirect method".

Interest paid is classified as operating cash flows, interest received is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

3.22 Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is charged.

3.23 Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

4 Effect of Accounting Standards Issued but not yet Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning and after 1 January 2018. Accordingly, these Standards have not been applied in preparing these Financial Statements.

4.1 SLFRS 9 - Financial instruments: classification and measurement

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. Effective date of IFRS 9 has been deferred to financial period beginning on or after 1 January 2018.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 9.

4.2 SLFRS 15 Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 15.

4.3 SLFRS 16 Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a lease contract. SLFRS 16 is effective for annual reporting period beginning on or after 1 January 2019, with early adoption permitted. The Group is assessing the potential impact on its financial statements resulting from the application of SLFRS 16.

Notes to the Financial Statements (Contd.)

For the year ended 31 March	Group		Company	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
5. Revenue				
Gross revenue	9,391,812	8,227,670	8,677,387	7,544,436
Less: Turnover related taxes	(554,462)	(368,037)	(514,633)	(342,389)
Net revenue	8,837,350	7,859,633	8,162,754	7,202,047

Turnover related taxes include Value Added Tax (VAT) and Nation Building Tax (NBT).

5.1 Operating segments

Segment information is presented in respect of the Group's business segments. Business segments are based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group comprises of the following main business segments:

- Commodity trading
  Export and local sale of all grades of natural rubber, thick pale crepe rubber (TPC), ribbed smoked sheet rubber (RSS) and desiccated coconut and non traditional spices.

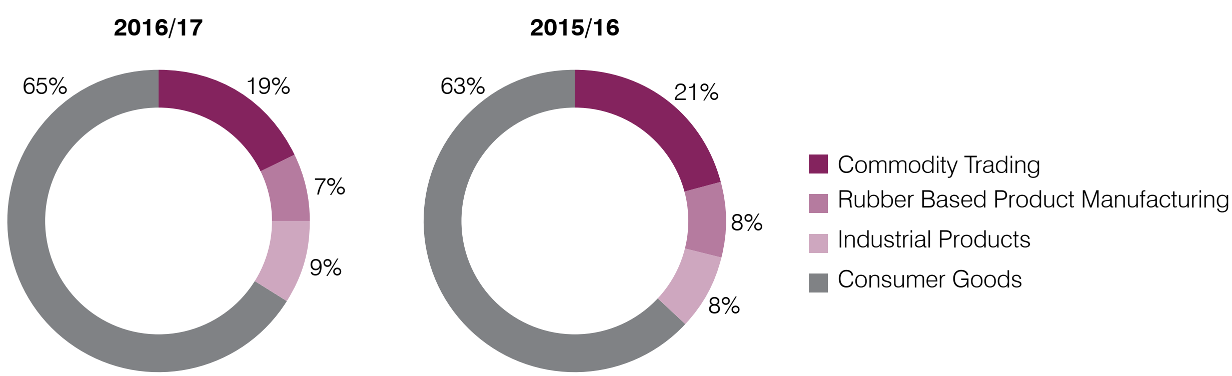
- Rubber based products manufacturing
  Manufacture, export and local sale of technically specified rubber (TSR),plantation sole crepe rubber, specialised industrial sole crepe rubber and moulded rubber products

- Industrial products
  Import and sale of welding equipment and consumables and light engineering products, refrigeration and air-conditioning components and marine paints and protective coatings.

- Consumer goods
  Manufacture, import and trading of FMCG products and sugar.

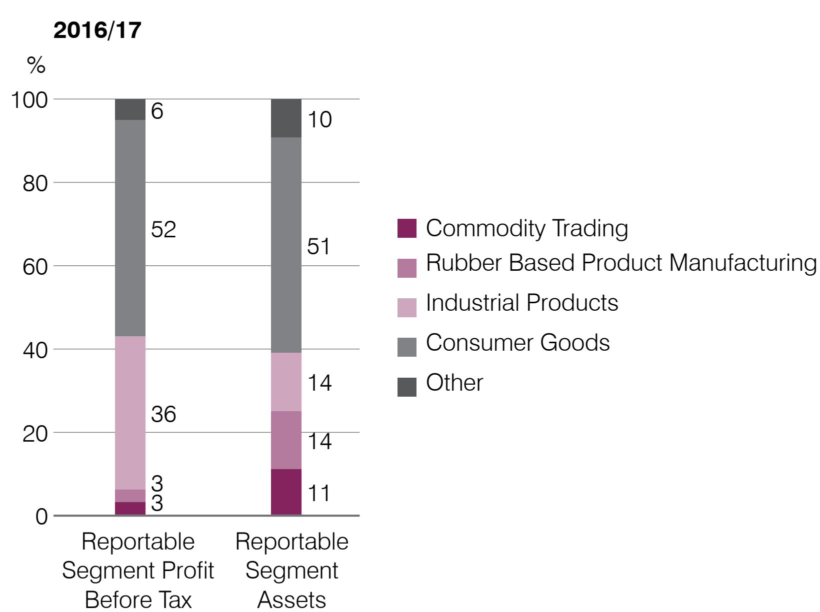
- Other
  Other Group results mainly comprise vehicle hire income and rent income from investment properties.

Reportable Segment Revenue



For the year ended 31 March 2017
Group

Business segments	Commodity Trading Rs.000's	Rubber Based Products Manufacturing Rs.000's	Industrial Products Rs.000's	Consumer Goods Rs.000's	Other Rs.000's	Consolidated Rs.000's
Total revenue	1,639,484	635,626	844,935	6,079,875	-	9,199,920
Inter-segment revenue	(562)	(11,916)	(68)	(350,024)	-	(362,570)
Revenue from external customers	1,638,922	623,710	844,867	5,729,851	-	8,837,350
Segment gross profit	126,368	79,710	212,979	863,833	-	1,282,890
Operating overheads	(107,507)	(42,459)	(81,626)	(638,553)	(2,769)	(872,914)
Depreciation and amortisation	(5,669)	(19,758)	(4,174)	(28,250)	(41,711)	(99,562)
Contribution to defined benefit plan for gratuity	(1,267)	(4,615)	(1,691)	(3,864)	(2,536)	(13,973)
Provision for impairment of trade debtors	-	-	(4,614)	(2,555)	-	(7,169)
Provision for compensation under VRS	-	(2,125)	-	(2,750)	-	(4,875)
Other operating income	617	2,764	6,196	11,370	111,095	132,042
Results from operating activities	12,542	13,517	127,070	199,231	64,079	416,439
Finance income (including foreign exchange loss)	2,768	198	1,169	(344)	(230)	3,561
Finance costs	(4,599)	(4,512)	(15)	(17,463)	(44,343)	(70,932)
Profit before taxation	10,711	9,203	128,224	181,424	19,506	349,068
Income tax expense	(8,350)	865	(28,600)	(58,205)	(17,647)	(111,937)
Profit for the year	2,361	10,068	99,624	123,219	1,859	237,131
Total assets	430,837	563,672	537,349	2,228,019	380,159	4,140,036
Total liabilities	83,134	138,270	127,242	799,791	823,874	1,972,311
Capital expenditure	6,292	9,681	10,477	87,491	148,441	262,382
Total depreciation	5,669	19,758	4,174	28,250	41,711	99,562

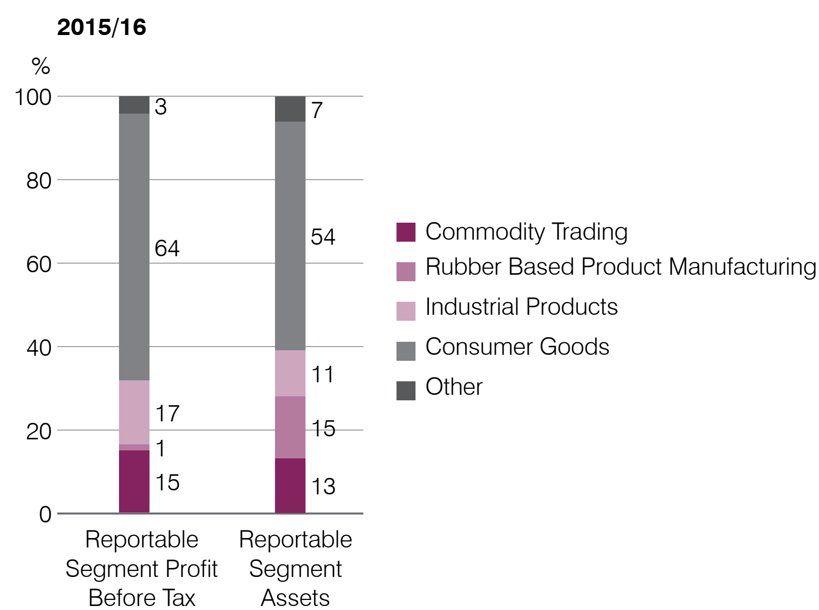


Notes to the Financial Statements (Contd.)

For the year ended 31 March 2016

Group

Business segments	Commodity Trading Rs.000's	Rubber Based Products Manufacturing Rs.000's	Industrial Products Rs.000's	Consumer Goods Rs.000's	Other Rs.000's	Consolidated Rs.000's
Total revenue	1,708,556	625,211	623,401	5,196,740	34,593	8,188,501
Inter-segment revenue	(29,216)	(33,397)	(1,078)	(230,584)	(34,593)	(328,868)
Revenue from external customers	1,679,340	591,814	622,323	4,966,156	-	7,859,633
Segment gross profit/(loss)	133,657	72,931	156,691	802,639	(27,230)	1,138,688
Operating overheads	(95,655)	(33,929)	(89,969)	(508,512)	(7,521)	(735,586)
Depreciation and amortisation	(3,328)	(23,148)	(1,820)	(25,716)	(38,650)	(92,662)
Contribution to defined benefit plan for gratuity	(1,303)	(4,465)	(1,738)	(3,924)	(2,607)	(14,037)
Provision for impairment of trade debtors	-	33	(2,983)	1,840	-	(1,110)
Provision for compensation under VRS	-	(10,645)	-	-	-	(10,645)
Other operating income	18,394	3,150	5,638	7,201	90,757	125,140
Results from operating activities	51,765	3,927	65,819	273,528	14,749	409,788
Finance income (including foreign exchange loss)	19,664	5,665	3,051	(155)	1,309	29,534
Finance costs	(10,726)	(5,126)	(1,273)	(14,534)	(5,740)	(37,399)
Profit before taxation	60,703	4,466	67,597	258,839	10,318	401,923
Income tax expense	(12,900)	2,340	(18,000)	(88,268)	(6,573)	(123,401)
Profit for the year	47,803	6,806	49,597	170,571	3,745	278,522
Total assets	475,450	540,458	385,533	2,002,631	262,245	3,666,317
Total liabilities	118,480	110,268	50,099	819,212	521,760	1,619,819
Capital expenditure	10,709	9,042	5,581	31,982	33,034	90,348
Total depreciation	3,328	23,148	1,820	25,716	38,650	92,662



For the year ended 31 March		Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
6. Other operating income					
Sundry income		17,891	12,789	15,912	12,106
Profit on disposal of property, plant and equipment		15,115	18,814	13,749	864
Government grants		25	-	-	-
Service fees		-	-	12,000	10,200
Export handling fees		-	-	19,534	17,834
Rent income		99,011	93,537	99,011	93,537
		132,042	125,140	160,206	134,541
7. Results from operating activities					
7.1 Results from operating activities is stated after charging all the expenses including the following:					
Depreciation/amortisation on					
- Property, plant and equipment	(Note 12.1/12.2)	86,317	85,180	60,860	31,206
- Investment property	(Note 12.3)	4,799	4,829	4,799	4,829
- Intangible assets	(Note 12.4)	8,446	2,653	8,446	2,653
Directors' emoluments	(Note 31.2)	25,918	24,965	23,710	22,962
Personnel expenses	(Note 7.3)	319,240	302,468	193,103	169,640
Auditors' remuneration - Audit fees		3,485	3,345	2,175	1,975
- Non-audit services		828	1,650	828	1,650
- Audit related fees and expenses		389	211	389	211
Other auditors' remuneration - Internal audit fees		1,496	1,122	988	722
Write-off of property, plant and equipment		-	454	-	448
Compensation paid under voluntary retirement scheme		4,875	10,645	2,750	-
Provision for obsolete inventories	(Note 14.1)	6,289	5,291	4,409	3,390
Provision for impairment of trade receivables	(Note 15.3)	7,169	1,110	6,749	1,143
Provision for impairment of held to maturity investments	(Note 16.1)	360	-	-	-
Provision/(reversal) for impairment of other receivables	(Note 15.5.1)	(1,652)	10,817	-	1,150
7.2 Results from operating activities comprise those of the:					
Company		431,682	432,943	431,682	432,943
Subsidiary companies		(15,243)	(23,155)	-	-
		416,439	409,788	431,682	432,943
7.3 Personnel expenses:					
Salaries and wages		269,183	256,074	158,525	138,051
Contribution to defined contribution plans (EPF/MSPS/ ETF)		36,084	32,357	26,125	22,902
Contribution to defined benefit plan for gratuity	(Note 25.6)	13,973	14,037	8,453	8,687
		319,240	302,468	193,103	169,640

Notes to the Financial Statements (Contd.)

For the year ended 31 March	Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
8. Net financing costs				
Interest cost				
Interest on other borrowings	70,932	31,798	57,345	22,131
Lease interest	-	5,601	-	395
Interest on inter company balances	-	-	124	2,966
	70,932	37,399	57,469	25,492
Interest income				
Interest on fixed deposits/savings accounts	(876)	(1,108)	(417)	(575)
Interest from inter company balances	-	-	(683)	(29)
Net foreign exchange gain	(2,685)	(27,117)	(2,553)	(21,547)
Net gain on disposal of available-for-sale investments reclassified from equity	-	(1,245)	-	(1,245)
Dividend income on available-for-sale investments	-	(64)	-	(64)
	(3,561)	(29,534)	(3,653)	(23,460)
	67,371	7,865	53,816	2,032
9. Income tax expense				
9.1 Current tax expense				
Income tax on current year's profit **(Note 9.3)**	120,483	132,359	119,372	124,855
Under/(over) provision for previous year	33	(5,313)	33	(5,315)
	120,516	127,046	119,405	119,540
Deferred tax expense				
Deferred taxation **(Note 27)**	(8,579)	(3,645)	(6,668)	(328)
	(8,579)	(3,645)	(6,668)	(328)
	111,937	123,401	112,737	119,212

9.2 The Company and subsidiaries are liable for income tax at the rate of 12% on taxable profits on non-traditional exports and 28% on other profits in accordance with the provisions of the Inland Revenue Act No. 10 of 2006, as amended.

For the year ended 31 March	Group		Company	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
9.3 Reconciliation of accounting profit to income tax:				
Profit before income tax	349,068	401,923	377,866	430,911
Less: Other sources of income	(2,114)	(1,443)	(1,100)	(29)
Aggregate disallowable expenses	223,633	217,327	172,913	110,061
Aggregate allowable expenses	(148,838)	(134,273)	(91,297)	(70,506)
Aggregate disallowable income	(15,115)	(18,814)	(13,749)	(864)
Other sources of income	2,035	1,439	1,100	29
Total statutory income	408,669	466,159	445,733	469,602
Tax losses set-off	(2,216)	(641)	-	-
Assessable income	406,453	465,518	445,733	469,602
Taxable income	406,453	465,518	445,733	469,602
Applicable tax rates:				
Income tax @ 28%	116,379	127,512	115,298	120,060
Income tax @ 12%	4,104	4,847	4,074	4,795
Total income tax on taxable profit	120,483	132,359	119,372	124,855
9.4 Accumulated tax losses				
Tax losses at the beginning of the year	366,404	335,713	-	-
Adjustment to the tax loss brought forward	(3,454)	31	-	-
Tax loss for the year	43,325	31,301	-	-
Tax loss set off during the year	(2,216)	(641)	-	-
Tax losses at the end of the period	404,059	366,404	-	-
9.5 Economic service charge				
Balance at the beginning of the year	9,919	10,179	-	-
Payments made during the year	29,557	1,984	26,448	-
Set off against income tax	(14,564)	(1,683)	(14,564)	-
Write-off during the year	(2,833)	(561)	-	-
Balance at the end of the year	22,079	9,919	11,884	-

10. Basic earnings per share

The calculation of the earnings per share is based on the profit for the year attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year as given below, as per the requirements of the Sri Lanka Accounting Standard (LKAS 33) - "Earnings per Share".

For the year ended 31 March	Group		Company	
	2017	2016	2017	2016
Net profit attributable to ordinary shareholders (Rs.'000)	236,477	285,251	265,129	311,699
Weighted average number of ordinary shares	35,988,556	35,988,556	35,988,556	35,988,556
Earnings per share (Rupees)	6.57	7.93	7.37	8.66

11. Dividend per share

Gross dividend for the year (Rupees)	125,959,946	107,965,668	125,959,946	107,965,668
Weighted average number of ordinary shares	35,988,556	35,988,556	35,988,556	35,988,556
Dividend per share (Rupees)	3.50	3.00	3.50	3.00

Notes to the Financial Statements (Contd.)

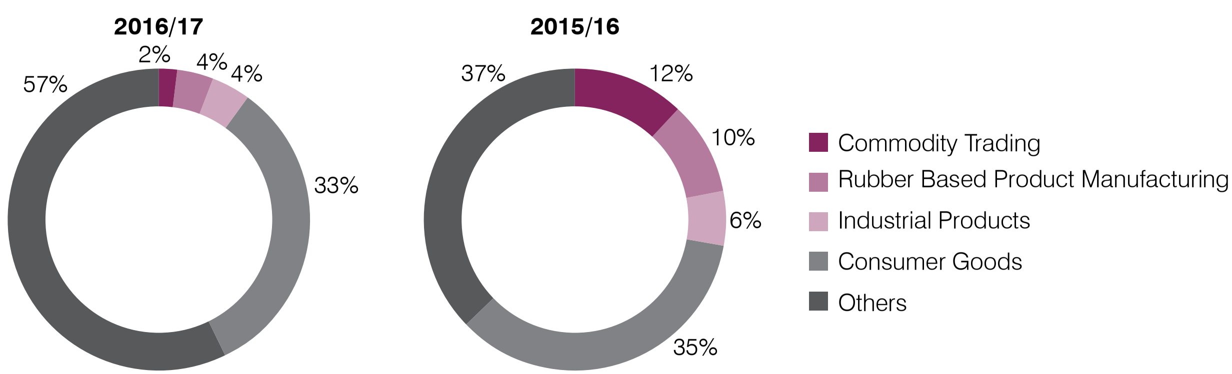
12. Property, plant and equipment, Investment property and Intangible assets

12.1 Property, plant and equipment - Group

As at 31 March

	Buildings on Leasehold Land	Freehold Land	Freehold Buildings	Plant, Machinery and Tools	Computer and other Installations	Office, Factory and Lab Equipments	Freehold Motor Vehicles	Furniture and Fittings	Capital Work-in-Progress	Total 2017	Total 2016
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Cost											
Balance at the beginning of the year	38,419	321,050	291,797	356,928	40,260	27,996	235,081	27,893	8,268	1,347,692	1,385,082
Additions during the year	-	77,999	2,783	64,749	31,625	2,736	37,902	3,273	-	221,067	90,348
Disposals during the year	-	(2,050)	-	(8,139)	(106)	(23)	(22,184)	-	-	(32,502)	(65,204)
Transfers during the year	-	-	325	-	-	-	-	7,943	(8,268)	-	-
Write off during the year	-	-	-	-	-	-	-	-	-	-	(62,534)
Transfer to assets held for sale	-	(139,499)	(77,211)	(114,354)	(1,009)	(5,197)	(15,278)	-	-	(352,548)	-
Balance at the end of the year	38,419	257,500	217,694	299,184	70,770	25,512	235,521	39,109	-	1,183,709	1,347,692
Accumulated depreciation											
Balance at the beginning of the year	14,775	-	38,581	293,908	25,967	18,510	129,889	16,977	-	538,607	568,788
Depreciation charge for the year	2,955	-	7,862	22,869	8,659	2,966	37,006	4,000	-	86,317	85,180
Disposals during the year	-	-	-	(6,080)	(71)	(12)	(18,715)	-	-	(24,878)	(53,281)
Write off during the year	-	-	-	-	-	-	-	-	-	-	(62,080)
Transfer to assets held for sale	-	-	(13,596)	(111,418)	(829)	(3,991)	(14,758)	-	-	(144,592)	-
Balance at the end of the year	17,730	-	32,847	199,279	33,726	17,473	133,422	20,977	-	455,454	538,607
Written down value :											
As at 31 March 2017	20,689	257,500	184,847	99,905	37,044	8,039	102,099	18,132	-	728,255	
As at 31 March 2016	23,644	321,050	253,216	63,020	14,293	9,486	105,192	10,916	8,268		809,085

Segmental Capital Expenditure



12.2 Property, plant and equipment - Company

As at 31 March

	Buildings on Leasehold Land	Freehold Land	Freehold Buildings	Plant, Machinery and Tools	Computer and other Installations	Office, Factory and Lab Equipments	Freehold Motor Vehicles	Furniture and Fittings	Capital Work-in-Progress	Total 2017	Total 2016
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Cost											
Balance at the beginning of the year	38,419	107,050	112,983	164,958	32,272	27,996	204,521	23,414	7,079	718,692	567,646
Additions during the year	-	77,999	-	62,070	29,359	2,736	34,400	2,430	-	208,994	78,722
Disposals during the year	-	(2,050)	-	(220)	-	(23)	(17,509)	-	-	(19,802)	(3,658)
Merger of subsidiary	-	-	-	-	-	-	-	-	-	-	90,098
Transfers during the year	-	-	-	-	-	-	-	7,079	(7,079)	-	-
Write-off during the year	-	-	-	-	-	-	-	-	-	-	(14,116)
Transfer to assets held for sale	-	(139,499)	(77,211)	(114,354)	(1,009)	(5,197)	(15,278)	-	-	(352,548)	-
Balance at the end of the year	38,419	43,500	35,772	112,454	60,622	25,512	206,134	32,923	-	555,336	718,692
Accumulated depreciation											
Balance at the beginning of the year	14,775	-	14,040	151,949	19,191	18,510	111,760	14,372	-	344,597	266,865
Depreciation charge for the year	2,955	-	3,487	6,024	8,052	2,966	34,011	3,365	-	60,860	31,206
Disposals during the year	-	-	-	(22)	-	(12)	(17,483)	-	-	(17,517)	(3,260)
Merger of subsidiary	-	-	-	-	-	-	-	-	-	-	63,454
Write-off during the year	-	-	-	-	-	-	-	-	-	-	(13,668)
Transfer to assets held for sale	-	-	(13,596)	(111,418)	(829)	(3,991)	(14,758)	-	-	(144,592)	-
Balance at the end of the year	17,730	-	3,931	46,533	26,414	17,473	113,530	17,737	-	243,348	344,597
Written down value :											
As at 31 March 2017	20,689	43,500	31,841	65,921	34,208	8,039	92,604	15,186	-	311,988	
As at 31 March 2016	23,644	107,050	98,943	13,009	13,081	9,486	92,761	9,042	7,079		374,095

Notes to the Financial Statements (Contd.)

	Group		Company	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
12.3 Investment property				
Cost				
Balance at the beginning of the year	62,344	62,344	62,344	62,344
Balance at the end of the year	62,344	62,344	62,344	62,344
Accumulated depreciation				
Balance at the beginning of the year	23,967	19,138	23,967	19,138
Depreciation charge for the year	4,799	4,829	4,799	4,829
Balance at the end of the year	28,766	23,967	28,766	23,967
Written down value as at 31 March	33,578	38,377	33,578	38,377

The Company has rented out a part of C. W. Mackie PLC building complex and value of land and buildings of that portion has been classified as ‘ investment property ’ and accounted on “cost model” as required by LKAS 40-Investment Property.

As per the valuation carried out on 31 March 2016, by Mr. K. T. D. Tissera, an independent professional Valuer J. P. U. M., Diploma in Valuation (Sri Lanka), F. R. I. C. S.(Eng.), F. I. V. (Sri Lanka), Chartered Valuation Surveyor, fair value of the investment property as at 31 March 2016 is Rs.49 million. These properties were valued on an open market value for existing use basis.

Rent income and operating expenses are included in the Statement of Profit or Loss and Other Comprehensive Income as follows:

	Group		Company	
For the year ended 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
Rent income	99,011	93,537	99,011	93,537
Direct operating expenses arising from investment property that generated rental income during the year	19,839	18,597	19,839	18,597
12.4 Intangible assets				
Software purchased				
Cost				
Balance at the beginning of the year	21,979	21,979	21,979	21,979
Additions during the year	41,315	-	41,315	-
Balance at the end of the year	63,294	21,979	63,294	21,979
Accumulated amortisation				
Balance at the beginning of the year	13,982	11,329	13,982	11,329
Amortisation for the year	8,446	2,653	8,446	2,653
Balance at the end of the year	22,428	13,982	22,428	13,982
Written down value as at 31 March	40,866	7,997	40,866	7,997

12.5 (i) Fully depreciated property, plant and equipment still in use

Group

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31 March 2017 is Rs.351 million (2016-Rs.323 Mn)

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31 March 2017 is Rs.243 million (2016-Rs.206 Mn)

(ii) Leasehold land and buildings

The Group has taken certain land and buildings on lease. In terms of the Grant to the Company dated 22 September 1964 under the Crown Lands Ordinance, premises No.34 and 36, D. R. Wijewardena Mawatha, Colombo 10 has been leased for a period of 60 years, 8 months and 10 days (being the residue of the unexpired term under Indenture of Lease by the Crown dated 10 June 1925 granting the Company a 99 year lease of the premises from the said date). At the time of handing over the possession of the premises, the Company is not entitled to any compensation in respect of the land, buildings or improvements thereon.

(iii) Assets pledged as securities against bank borrowings

Details of assets pledged are disclosed in Note 23.3 and 28.2

12.6 Property, plant and equipment extent

Location	Extent	No. of Buildings
Leasehold Land and Buildings		
No: 36, D.R.Wijewardena Mawatha, Colombo 10	1A, 2R, 13.86P	4
Investment Property		
No: 36, D.R.Wijewardena Mawatha, Colombo 10	52,923 Sq Ft	2
Freehold Land and Building		
Sunquick, Scan Water Bottling Plant - Munagama, Horana*	5A,3R,4.00P	13
Ceymac Rubber Company Limited - Aramangolla, Horana	5A,0R,0.45P	11
Ceymac Rubber Company Limited - Thebuwana, Narthupana	5A,1R,10.00P	8
Kelani Valley Canneries Limited - Kaluaggala, Hanwella	2A,0R, 35.00P	7

*Sunquick factory land (3A, 3R, 2.00P) and building (4 Buildings) are classified as assets held for sale as at 31 March 2017.

12.7 Capitalisation of borrowing costs

During the year under review, the Group has not capitalised any borrowing costs.

12.8 Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land

There are no significant changes in the Company's or its subsidiaries' fixed assets and the market value of land when compared to the book value as at 31 March 2017.

12.9 Capital work-in progress

The capital work-in progress balance represents the cost incurred for the installation of fittings and additions to the buildings as at 31 March 2016.

Notes to the Financial Statements (Contd.)

As at 31 March	Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
13. Investments in subsidiaries				
Ceymac Rubber Company Limited	-	-	424,823	424,823
Ceytra (Private) Limited	-	-	34,652	34,652
Kelani Valley Canneries Limited	-	-	127,032	127,032
	-	-	586,507	586,507

Subsidiaries - Unquoted	Principal Activity	Holding %	Deemed Cost 31.03.2017 Rs.000's	Deemed Cost 31.03.2016 Rs.000's
Ceymac Rubber Company Limited	Manufacture, export and sale locally of technically specified rubber and manufacture and export of plantation sole crepe rubber and specialised industrial sole crepe rubber.	98.72%	424,823	424,823
Ceytra (Private) Limited	Manufacture, export and sale locally of moulded rubber products	62.82%	34,652	34,652
Kelani Valley Canneries Limited	Manufacture, for sale and distribution locally as well as exporting of a wide range of processed tropical fruits and beverage products under 'KVC' brand.	88.34%	127,032	127,032

As at 31 March		Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
14. Inventories					
Raw materials		141,031	184,909	118,122	96,475
Work-in-progress		17,079	341	-	-
Finished goods		632,173	628,478	598,978	581,312
Goods-in-transit		27,256	31,598	27,256	31,598
Other consumables		92,248	59,075	71,109	37,916
		909,787	904,401	815,465	747,301
Less: Provision for slow moving inventories	(Note 14.1)	(14,291)	(15,604)	(10,889)	(7,775)
		895,496	888,797	804,576	739,526
14.1 Provision for slow moving inventories					
Balance at the beginning of the year		15,604	15,879	7,775	9,951
Provision made during the year		6,289	5,291	4,409	3,390
Write-off during the year		(7,602)	(5,566)	(1,295)	(5,566)
Balance at the end of the year		14,291	15,604	10,889	7,775

Inventories mentioned above are stated at the lower of cost and net realisable value. Inventories amounting to Rs.815 million (2016 – Rs.747 million) have been pledged as security for short term loans and overdraft facilities obtained from banks **(Note 28.2)**

As at 31 March		Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
15. Trade and other receivables					
Trade receivables from related parties	(Note 15.1)	662	8,295	6,048	11,238
Trade receivables	(Note 15.2)	1,849,568	1,514,999	1,694,669	1,432,602
Deposits		7,958	10,109	7,111	9,262
Loans to employees	(Note 15.4)	18,125	15,573	7,497	7,323
Other receivables	(Note 15.5)	259,909	315,087	233,122	299,561
		2,136,222	1,864,063	1,948,447	1,759,986
15.1 Trade receivable from related parties :					
Ceymac Rubber Company Limited*		-	-	3,323	1,973
Ceytra (Private) Limited*		-	-	2,063	1,015
Ceylon Trading Company Limited		397	62	397	62
E. B. Creasy & Company PLC		107	126	107	126
York Hotel Management Services Limited		75	26	75	26
Marawila Resorts PLC		-	756	-	756
Beruwala Resorts Limited		46	45	46	-
Lanka Special Steel Limited		37	-	37	-
Creasy Foods Limited		-	7,280	-	7,280
		662	8,295	6,048	11,238

* The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at the rate of 11.12% per annum (2016: 7.71%).

		Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
15.2 Trade receivables:					
Trade receivables - Local sales		1,693,739	1,389,130	1,573,055	1,328,451
- Export sales		187,137	151,208	151,317	127,109
		1,880,876	1,540,338	1,724,372	1,455,560
Less : Provision for impairment loss	(Note 15.3)	(31,308)	(25,339)	(29,703)	(22,958)
		1,849,568	1,514,999	1,694,669	1,432,602

Trade Debtors amounting to Rs.1,724 million (2016 - Rs.1,456 million) have been pledged as security for short term loans and overdraft facilities obtained from banks (Note 28.2).

	Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
15.3 Provision for impairment loss:				
Balance at the beginning of the year	25,339	75,314	22,958	33,197
Provision made during the year	7,169	1,110	6,749	1,143
Write-off during the year	(1,200)	(51,085)	(4)	(11,382)
Balance at the end of the year	31,308	25,339	29,703	22,958
15.4 Loans to employees:				
Balance at the beginning of the year	15,573	13,826	7,323	7,074
Loans granted during the year	14,781	10,751	9,535	8,425
	30,354	24,577	16,858	15,499
Recovered during the year	(12,229)	(9,004)	(9,361)	(8,176)
Balance at the end of the year	18,125	15,573	7,497	7,323

Loans to employees represent short term staff loans and staff advances, where repayment terms are less than 12 months.

Notes to the Financial Statements (Contd.)

As at 31 March		Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
15.5 Other receivables					
Payments in advance		124,845	193,312	113,187	190,769
Economic service charge	(Note 9.5)	22,079	9,919	11,884	-
VAT receivable		32,619	48,232	15,777	17,310
Prepayments		6,320	4,704	2,616	4,460
Other receivables		97,467	94,830	97,236	94,600
		283,330	350,997	240,700	307,139
Less : Provision for impairment	(Note 15.5.1)	(23,421)	(35,910)	(7,578)	(7,578)
		259,909	315,087	233,122	299,561
15.5.1 Provision for impairment					
Balance at the beginning of the year		35,910	25,093	7,578	6,428
Provision/(reversal) made during the year		(1,652)	10,817	-	1,150
Written off during the year		(10,837)	-	-	-
Balance at the end of the year		23,421	35,910	7,578	7,578
16. Held to maturity investments					
Fixed deposits		360	360	-	-
Less : Provision for impairment loss	(Note 16.1)	(360)	-	-	-
		-	360	-	-
16.1 Provision for impairment loss:					
Balance at the beginning of the year		-	-	-	-
Provision made during the year		360	-	-	-
Balance at the end of the year		360	-	-	-
17. Cash and cash equivalents					
Bank balances		86,716	46,405	81,926	35,665
Cash in hand		1,552	1,838	1,368	1,663
		88,268	48,243	83,294	37,328
Bank overdraft		(76,439)	(126,775)	(48,146)	(105,026)
Cash and cash equivalents for cash flow purpose		11,829	(78,532)	35,148	(67,698)

18. Assets held for sale

C. W. Mackie PLC and Co-Ro A/S from Denmark has entered in to a joint venture agreement on 24 February 2017, with the purpose of manufacturing, processing and marketing Co-Ro's products in the form of concentrates and ready to drink (RTD) products.

Accordingly, assets relating to Concentrate Squashes manufacturing and bottling factory is presented as assets held for sale and expected sale of assets will commence by June 2017, once the joint venture Company is formed and commences its operations.

As at 31 March 2017 assets held for sale stated at cost and comprises of the following assets:

	Cost Rs.000's	Accumulated Depreciation Rs.000's	Written Down Value Rs.000's
Freehold land	139,499	-	139,499
Buildings on freehold land	77,211	13,596	63,615
Plant and machinery	114,354	111,418	2,936
Freehold motor vehicles	15,278	14,758	520
Factory equipment	4,603	3,397	1,206
Office equipment	200	200	-
Lab equipment	394	394	-
Computers	1,009	829	180
	352,548	144,592	207,956

There is no indication of impairments that the carrying value of the assets may not be recovered.

Cumulative income or expenses included in Other Comprehensive Income

There are no cumulative income or expenses included in Other Comprehensive Income relating to the disposal group.

	Group		Company	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
19. Stated capital				
Ordinary shares (No. of shares 35,988,556)	507,047	507,047	507,047	507,047
	507,047	507,047	507,047	507,047
20. Capital reserves*				
Adjustment due to merger of subsidiary	-	-	14,909	14,909
Export development grant reserve	8,734	8,734	-	-
	8,734	8,734	14,909	14,909
21. Revenue reserves*				
General reserves	7,000	7,000	7,000	7,000
Retained earnings	1,615,935	1,495,686	1,755,832	1,610,264
	1,622,935	1,502,686	1,762,832	1,617,264

* Capital reserves and general reserves represent the amounts set aside by the Directors for future expansion and to meet any contingencies.

Notes to the Financial Statements (Contd.)

22. Non-controlling interests

Non- controlling interest (NCI) in subsidiaries

The following table summarises the information relating to each of the group's subsidiaries that has a material NCI, before any intra - group eliminations.

	Ceytra (Private) Limited		Other Non - Material NCI		Total	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
NCI percentage (%)	37.18%	37.18%				
Total assets	58,310	50,658	705,530	683,473	763,840	734,131
Total liabilities	9,828	10,340	281,427	228,461	291,255	238,801
Net assets	48,482	40,318	424,103	455,012	472,585	495,330
Carrying amount of NCI	18,026	14,990	10,983	13,041	29,009	28,031
Revenue	76,265	79,404	801,955	737,222	878,220	816,626
Profit/(loss) after tax	7,563	(10,180)	(33,965)	(41,076)	(26,402)	(51,256)
Total comprehensive income/(expense)	8,164	(9,679)	(30,909)	(38,655)	(22,745)	(48,334)
Profit/(loss) allocated to NCI	3,035	(3,599)	(2,057)	(2,867)	978	(6,466)
Cash flows from/(used in) operating activities	(1,109)	794	(32,643)	20,332	(33,752)	21,126
Cash flows from/(used in) investing activities	4,968	(1,841)	(9,631)	(4,043)	(4,663)	(5,884)
Cash flows from/(used in) financing activities, before dividend to NCI	659	(1,028)	25,269	1,653	25,928	625
Cash flows from financing activities	659	(1,028)	25,269	1,653	25,928	625
Net increase in cash and cash equivalents	4,518	(2,075)	(17,005)	17,942	(12,487)	15,867

As at 31 March	Group		Company	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
23. Loans and borrowings				
Balance at the beginning of the year	2,632	3,360	-	-
Obtained during the year	3,000	-	-	-
Repayments during the year	(731)	(728)	-	-
Balance at the end of the year	4,901	2,632	-	-
23.1 Sources of finance				
Commercial Bank of Ceylon PLC	4,901	2,632	-	-
	4,901	2,632	-	-

As at 31 March	Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
23.2 Maturity analysis				
Payable after one year but less than five years	3,525	1,960	-	-
Payable within one year	1,376	672	-	-

23.3 Assets pledged as securities against long term borrowings

Lending Institution	Facility Obtained	Assets Pledged	Interest Rate
Kelani Valley Canneries Limited			
Commercial Bank of Ceylon PLC	For financing of long term capital requirements	Mortgage bond over the machinery valued at Rs.6.88 Mn at Kaluaggala, Hanwella	AWPLR + 2% and 3%

As at 31 March		Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
24. Finance lease liability					
Balance at the beginning of the year		-	66,299	-	4,020
Early settlement discounts		-	(3,712)	-	(325)
Repayments during the year		-	(62,587)	-	(3,695)
Balance at the end of the year		-	-	-	-
25. Retirement benefit obligation					
Present value of defined benefit obligation	(Note 25.2)	85,365	88,744	58,868	60,227
Fair value of plan assets	(Note 25.3)	(42,894)	(38,888)	(41,414)	(36,710)
Unrecognised actuarial gain/(loss)	(Note 25.4)	-	-	-	-
		42,471	49,856	17,454	23,517
Arrears payable to the CWM Staff Non-Contributory Gratuity Fund	(Note 25.5)	(6)	(6)	-	-
		42,465	49,850	17,454	23,517

The contributions of the Company and its subsidiaries (Ceymac Rubber Company Limited and Ceytra (Private) Limited) to the defined benefit plan are determined by a formula stated in the Indenture establishing the CWM Group Staff Non-Contributory Gratuity Fund.

As required by the Sri Lanka Accounting Standard 19 (LKAS 19), "Employee Benefits", the Fund was actuarially valued by Mr. Piyal S. Goonetilleke, Fellow of the Society of Actuaries (USA), Member of American Academy of Actuaries ,Consulting Actuary of Messrs. Piyal S. Goonetilleke and Associates, as at 31 March 2017 and the appropriate adjustments have been effected in the Financial Statements.

Notes to the Financial Statements (Contd.)

As at 31 March	Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
25.1 Plan assets consist of the following:				
Treasury bills	36,024	33,225	35,025	31,443
Cash	5,930	5,663	5,515	5,267
Others	940	-	874	-
	42,894	38,888	41,414	36,710
25.2 Movement in present value of defined benefit obligations				
Balance at the beginning of the year	88,744	90,847	60,227	61,429
Current service cost	8,152	8,232	5,535	5,618
Interest cost	9,762	9,085	6,625	6,143
Benefits paid by the plan	(9,517)	(10,469)	(5,557)	(7,019)
Actuarial (gain)/loss	(11,776)	(8,951)	(7,962)	(5,944)
Balance at the end of the year	85,365	88,744	58,868	60,227
25.3 Movement in fair value of plan assets				
Balance at the beginning of the year	38,888	37,102	36,710	34,543
Contribution paid into gratuity fund	10,548	9,611	8,117	7,136
Benefits paid by the gratuity fund	(8,763)	(9,996)	(5,557)	(7,019)
Expected return on plan assets	3,941	3,280	3,707	3,074
Actuarial (gain)/loss	(1,720)	(1,109)	(1,563)	(1,024)
Balance at the end of the year	42,894	38,888	41,414	36,710
25.4 Unrecognised actuarial (gain)/loss				
Balance at the beginning of the year	-	-	-	-
Actuarial (gain)/loss for the year - obligation	(11,776)	(8,951)	(7,962)	(5,944)
Actuarial (gain)/loss for the year - plan assets	1,720	1,109	1,563	1,024
Actuarial gain/(loss) recognised during the year	10,056	7,842	6,399	4,920
Balance at the end of the year	-	-	-	-
25.5 Arrears payable to the CWM Staff Non-Contributory Gratuity Fund				
Balance at the beginning of the year	(6)	(6)	-	-
Contribution for the year	10,548	9,611	8,117	7,136
Paid to the fund	(10,548)	(9,611)	(8,117)	(7,136)
Balance at the end of the year	(6)	(6)	-	-
25.6 Amount recognised in the Statement of Profit or Loss and Other Comprehensive Income				
Recognised in profit or loss				
Current service cost	8,152	8,232	5,535	5,618
Interest cost	9,762	9,085	6,625	6,143
Expected return on plan assets	(3,941)	(3,280)	(3,707)	(3,074)
	13,973	14,037	8,453	8,687
Recognised in the other comprehensive income				
Recognition of actuarial loss/(gain)	(10,056)	(7,842)	(6,399)	(4,920)
Total amount recognised in the Statement of Profit or Loss and Other Comprehensive Income	3,917	6,195	2,054	3,767

As at 31 March	Group 2017	Group 2016	Company 2017	Company 2016
25.7 Actuarial assumptions				
Discount rate	12.50%	11.00%	12.50%	11.00%
Expected return on plan assets	12.50%	11.00%	12.50%	11.00%
Future salary increases	12.00%	12.00%	12.00%	12.00%
Retirement age				
Management staff	60 years	60 years	60 years	60 years
Allied staff	60 years	60 years	60 years	60 years
Other staff	55 years	55 years	55 years	55 years

25.8 Sensitivity of assumptions employed in actuarial valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Total Comprehensive Income and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on to total Comprehensive Income and employment benefit obligation for the year.

31 March 2017	Sensitivity effect on Total Comprehensive Income increase/(reduction)		Sensitivity effect on Employment benefit increase/(reduction) in the liability	
	Group Rs.000's	Company Rs.000's	Group Rs.000's	Company Rs.000's
Decrease in discount rate (1%)	(8,120)	(5,630)	8,120	5,630
Increase in discount rate (1%)	7,445	4,880	(7,445)	(4,880)
Decrease in salary escalation (1%)	8,749	5,812	(8,749)	(5,812)
Increase in salary escalation (1%)	(9,635)	(6,613)	9,635	6,613

31 March 2016	Sensitivity effect on Total Comprehensive Income increase/(reduction)		Sensitivity effect on Employment benefit increase/(reduction) in the liability	
	Group Rs.000's	Company Rs.000's	Group Rs.000's	Company Rs.000's
Decrease in discount rate (1%)	(9,116)	(6,146)	9,116	6,146
Increase in discount rate (1%)	7,859	5,276	(7,859)	(5,276)
Decrease in salary escalation) (1%)	8,286	5,599	(8,286)	(5,599)
Increase in salary escalation) (1%)	(9,456)	(6,404)	9,456	6,404

Notes to the Financial Statements (Contd.)

As at 31 March	Group		Company	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
26. Deferred income/revenue				
Government grant	475	-	-	-
	475	-	-	-
26.1 Maturity analysis				
Non-current	400	-	-	-
Current	75	-	-	-

Kelani Valley Canneries Limited has been awarded a government grant in December 2016 from Industrial Development Board of Ceylon, amounted to Rs.0.5 million for the acquisition of a fully automated jam cup filing machine worth Rs 1.3 million. The government grant recognised as deferred income is amortised over the useful life of the machinery.

The Company shall not sell, assign, pledge, mortgage, gift, let or rent the machinery for a period of five years from the date of purchase of the machinery.

As at 31 March	Group		Company	
	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
27. Deferred taxation				
Balance at the beginning of the year	30,833	34,478	35,676	36,004
Charge for the year	(8,579)	(3,645)	(6,668)	(328)
Balance at the end of the year	22,254	30,833	29,008	35,676
27.1 Deferred tax asset	(9,395)	(9,395)	-	-
Deferred tax liability	31,649	40,228	29,008	35,676
	22,254	30,833	29,008	35,676

27.2 The effective tax rate of 27% (2016-27%) and 27.6% (2016-21%) were applied respectively by the Company and its subsidiary: Ceymac Rubber Company Limited for calculation of deferred tax asset/liability as at the reporting date.

27.3 The deferred tax asset/liability recognised on temporary differences are as follows:

As at 31 March	2017		2016	
	Temporary differences Rs.000's	Tax effect Rs.000's	Temporary differences Rs.000's	Tax effect Rs.000's
Group				
On property, plant and equipment	293,430	70,778	334,303	69,739
On retirement gratuity	(42,465)	(10,422)	(49,850)	(10,877)
On tax losses carried forward	(159,088)	(38,102)	(147,822)	(28,029)
	91,877	22,254	136,631	30,833
Company				
On property, plant and equipment	124,891	33,721	155,652	42,026
On retirement gratuity	(17,454)	(4,713)	(23,517)	(6,350)
	107,437	29,008	132,135	35,676

27.4 Unrecognised deferred tax assets

Current year recognition of deferred tax asset - Ceytra Limited

Deferred tax asset has not been recognised in respect of the current year, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

The deferred tax asset on temporary differences are as follows:

	2017		2016	
	Temporary differences Rs.000's	Tax effect Rs.000's	Temporary differences Rs.000's	Tax effect Rs.000's
On property, plant and equipment	798	215	761	123
On retirement gratuity	(3,040)	(819)	(3,342)	(541)
On tax losses carried forward	(53,373)	(14,380)	(55,437)	(8,977)
	(55,615)	(14,984)	(58,018)	(9,395)

Notes to the Financial Statements (Contd.)

Deferred tax asset - Kelani Valley Canneries Limited

Kelani Valley Canneries Limited has not recognised the deferred tax asset amounting to Rs. 64 Mn (2016-Rs. 60 Mn) as at 31 March 2017, since the management was of the view that the asset will not be crystallized in the foreseeable future.

The deferred tax asset on temporary differences are as follows:

	2017		2016	
	Temporary differences Rs.000's	Tax effect Rs.000's	Temporary differences Rs.000's	Tax effect Rs.000's
On property, plant and equipment	18,221	5,102	8,058	2,256
On retirement gratuity	(3,698)	(1,035)	(3,663)	(1,025)
On tax losses carried forward	(244,971)	(68,592)	(218,582)	(61,203)
	(230,448)	(64,525)	(214,187)	(59,972)

	Group		Company	
As at 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
28. Interest bearing short term borrowings				
Short term money market loans	930,629	800,000	792,629	685,000
	930,629	800,000	792,629	685,000
28.1 Sources of finance				
Hatton National Bank PLC	398,000	275,000	325,000	225,000
Commercial Bank of Ceylon PLC	271,500	280,000	206,500	215,000
Standard Chartered Bank	261,129	245,000	261,129	245,000
	930,629	800,000	792,629	685,000

28.2 Assets pledged as securities against short term borrowings

Lending Institution	Facility Obtained	Assets Pledged	Interest Rate
C. W. Mackie PLC			
Hatton National Bank PLC	For financing of exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts	Available money market rates
Commercial Bank of Ceylon PLC	For financing of exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts	Available money market rates
NDB Bank PLC	For financing of exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts	Available money market rates
Standard Chartered Bank	For financing of exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts	Available money market rates

28.2 Assets pledged as securities against short term borrowings (Contd.)

Lending Institution	Facility Obtained	Assets Pledged	Interest Rate
Ceymac Rubber Company Limited			
Hatton National Bank PLC	To finance the manufacture and export of rubber and for working capital requirements	Registered primary floating mortgage over stocks and book debts	Available money market rates
Kelani Valley Canneries Limited			
Commercial Bank of Ceylon PLC	For financing of working capital requirements	Lien over savings account, registered floating tertiary to seventh mortgage bond over the property, plant and machinery at Kaluaggala, Hanwella	Available money market rates

	Group		Company	
As at 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
29. Income tax payable				
Balance at the beginning of the year	55,855	44,307	55,855	41,779
Income tax provision for the year	120,483	132,359	119,372	124,855
Under/(over) provision in respect of previous year	33	(5,313)	33	(5,315)
Income tax/ESC payments during the year	(107,730)	(115,498)	(107,729)	(105,464)
Balance at the end of the year	68,641	55,855	67,531	55,855
30. Trade and other payables				
Trade payables to related parties (Note 30.1)	53,674	20,683	71,862	29,083
Other trade payables	499,952	240,713	466,943	209,391
Dividends payable	5,887	5,030	5,712	4,855
Accruals	40,707	22,624	32,168	19,707
Pre-paid advances	47,582	38,169	44,759	36,220
Sundry creditors	5,040	22,416	5,040	11,027
VAT and NBT payables	11,947	37,501	7,847	34,949
Other provisions	143,521	146,096	140,640	144,046
Other payables	8,802	11,247	2,685	10,244
	817,112	544,479	777,656	499,522

Notes to the Financial Statements (Contd.)

As at 31 March	Group 2017 Rs.000's	Group 2016 Rs.000's	Company 2017 Rs.000's	Company 2016 Rs.000's
30.1 Trade payables to related parties:				
Colombo Fort Group Services (Private) Limited	1,481	-	1,481	-
Kelani Valley Canneries Limited*	-	-	18,722	8,400
Union Commodities (Private) Limited	51,632	20,186	51,632	20,186
Ceylon Tapes (Pvt) Ltd	144	-	-	-
J F Packaging (Pvt) Ltd	61	-	-	-
Carplan Limited	27	179	27	179
Lankem Ceylon PLC	329	318	-	318
	53,674	20,683	71,862	29,083

* The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at the rate of 11.12% per annum (2016: 7.71%).

31. Related party disclosures

31.1 Related party transactions

The company's related parties include key management personnel, close family members of key management personnel and entities which are controlled, jointly controlled or significantly influenced for which significant voting power is held by key management personnel or their close family members.

31.1.1 Transactions with subsidiary companies

Name of the Related Party For the year ended 31 March	Relationship	Nature of the Transaction	Amounts (Paid)/ Received 2017 Rs.000's	Amounts (Paid)/ Received 2016 Rs.000's
Ceymac Rubber Company Limited	Subsidiary	Interest on current account balance	198	(420)
		Inter company sales	-	(20,314)
Director:		Service fees	7,440	6,600
Mr. W. T. Ellawala		Fund transfers	(32,132)	(56,291)
		Export handling fee	19,534	17,834
		Expense reimbursements	14,310	7,151
		Rental paid	(1,057)	(631)
		Inter company settlements	(6,943)	(4,874)

Corporate guarantee of C.W.Mackie PLC for packing credit/short term loans and export bill discounting facilities of Rs.99.0 million to Hatton National Bank PLC

Scan Tours and Travels (Private) Limited	Subsidiary	Interest on current account balance	-	(2,026)
		Vehicle hire charges	-	(36,357)
Directors:		Expense reimbursements	-	9,770
Mr. W. T. Ellawala		Fund transfers	-	7,030
Ms. C. R. Ranasinghe		Net settlements	-	53,645
Mr. K. T. A. Mangala Perera				
(Merged with C.W.Mackie PLC w.e.f 31 March 2016)				

31.1.1 Transactions with subsidiary companies (Contd.)

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/ Received	
For the year ended 31 March			2017 Rs.000's	2016 Rs.000's
Ceytra (Private) Limited	Subsidiary	Interest on current account balance	83	(489)
		Service fees	2,880	2,400
		Inter company sales	32	-
Director:		Fund transfers	2,690	7,726
Mr. W. T. Ellawala		Expense reimbursements	(4,637)	463

Corporate guarantee of C.W.Mackie PLC for packing credit/short term loans and export bill discounting facilities of Rs.8.0 million to Hatton National Bank PLC.

Name of the Related Party	Relationship	Nature of the Transaction	2017 Rs.000's	2016 Rs.000's
Kelani Valley Canneries Limited	Subsidiary	Inter company purchases	(157,750)	(92,739)
		Inter company sales	48,199	44,057
Directors:		Expense reimbursements	6,446	1,979
Mr. W. T. Ellawala		Net settlements	91,103	44,412
Dr. T. Senthilverl		Service fee	1,680	1,200
Mr. K. T. A. Mangala Perera				
Ms. C. R. Ranasinghe				
Mr. Anushman Rajaratnam				

Corporate guarantee of C.W.Mackie PLC for short term loans of Rs.90 million to Commercial Bank of Ceylon PLC.

31.1.2 Transactions with other related companies

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/ Received	
For the year ended 31 March			2017 Rs.000's	2016 Rs.000's
Ceylon Trading Company Limited	Affiliate	Rent income	2,100	2,100
		Secretarial and legal fees	(16,211)	(15,352)
		Management fees/overheads	(16,377)	(15,487)
Directors:		Net settlements	30,823	28,663
Mr. W. T. Ellawala				
Ms. C. R. Ranasinghe				
Maersk Lanka (Private) Limited	Affiliate	Rent income	-	22,510
		Recovery of overheads	150	28,397
Director:				
Mr. W. T. Ellawala				
Kotagala Plantations PLC	Common directors	Purchase of rubber through commodity brokers at the auction	88,548	92,840
Directors:				
Mr. R. C. Peries				
Mr. S. D. R. Arudpragasam				
Mr. A. Rajaratnam				

Notes to the Financial Statements (Contd.)

31.1.2 Transactions with other related companies Contd.

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/ Received	
For the year ended 31 March			2017 Rs.000's	2016 Rs.000's
Colombo Fort Group Services (Private)	Common	Services received	9,193	3,339
Limited	directors	Net settlements	(7,712)	(3,339)
Directors:				
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
Union Commodities (Private) Limited	Common	Inter company purchases	(221,478)	(202,048)
	directors	Inter company sales	156	171
Directors:		Net settlements	189,876	192,395
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
Lankem Ceylon PLC	Common	Inter company purchases	(1,709)	(20,704)
	directors	Net settlements	2,027	26,241
Directors:				
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
E. B. Creasy & Company PLC	Common	SAP expense reimbursements	(3,566)	-
	directors	Inter company sales	673	676
Directors:		Net settlements	2,874	(633)
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Carplan Limited	Common	Inter company purchases	(672)	(786)
	directors	Net settlements	824	607
Directors:				
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
C. W. Mackie Group Staff Non-Contributory	Defined benefit	Amount paid to gratuity fund	(8,117)	(7,136)
Gratuity Fund	plan	Amount paid by gratuity fund to employees	5,557	7,019
Lanka Special Steel Limited	Common	Inter company sales	37	-
	directors			
Directors:				
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				

31.1.2 Transactions with other related companies Contd.

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/ Received	
For the year ended 31 March			2017 Rs.000's	2016 Rs.000's
Sigiriya Village Hotels PLC	Common directors	Net settlements	-	(8)
Directors:				
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
York Hotel Management Services Limited	Common	Inter company sales	62	36
	directors	Net settlements	(13)	(22)
Director:				
Mr. A. Rajaratnam				
Marawila Resorts PLC	Common	Inter company sales	556	1,471
	directors	Net settlements	(1,312)	(1,569)
Directors:				
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Beruwala Resorts Limited	Common	Inter company sales	95	-
	directors	Net settlements	(49)	(367)
Directors:				
Mr. A. Rajaratnam,				
Mr. S. D. R. Arudpragasam				
Creasy Foods Limited	Common	Inter company sales	15,225	45,742
	directors	Net settlements	(22,505)	(46,126)
Directors:				
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				

There were no transactions entered into by the Company during the year in the ordinary course of business, the value of which exceeded 10% of the shareholders' equity or 5% of the total assets of the Company as at 31 March 2017.

There were no recurrent related party transactions, where aggregated value of the related party transactions exceeds 10% of the gross revenue/income as required to be disclosed by Rule 9.3.2 (b) of the CSE listing rules, for the financial year ended 31 March 2017.

Notes to the Financial Statements (Contd.)

31.2 Compensation of key management personnel

Key management personnel include members of the Board of Directors of the Company and its Subsidiaries.

	Group		Company	
For the year ended 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
Short-term employee benefits	25,918	24,965	23,710	22,962
Total compensation paid to key management personnel	25,918	24,965	23,710	22,962

32. Events after the reporting date

Joint venture agreement

C. W. Mackie PLC (CWM) and Co-Ro A/S from Denmark has entered in to a joint venture agreement on 24 February 2017, with the purpose of manufacturing, processing and marketing Co-Ro's products in the form of concentrates and ready to drink (RTD) products.

Two limited liability companies namely Sunquick Lanka (Private) Limited, in which Co-Ro A/S owns 51% and Sunquick Lanka Properties (Private) Limited, in which CWM owns 51%, have been established as joint venture. The joint venture Companies which were registered on 2 and 3 May 2017 respectively and expected to commence operations by 1 June 2017.

Dividend

The Directors of C. W. Mackie PLC have recommended the payment of a first and final dividend of Rs. 3/50 per ordinary share amounting to Rs.125,959,946/- for the year ended 31 March 2017 for approval by the shareholders at the Annual General Meeting to be held on 28 June 2017. In accordance with the Sri Lanka Accounting Standard 10 (LKAS 10) "Events after the Reporting Period", this proposed dividend has not been recognised as a liability as at 31 March 2017.

Subsequent to the reporting date no circumstances have arisen that would require adjustment to or disclosure in the Financial Statements other than those disclosed above.

33. Contingent liabilities

The following contingent liabilities exist as at the reporting date on account of the corporate guarantees given by the Company:

Outstanding as at 31 March	2017 Rs.Mn	2016 Rs.Mn
Corporate guarantees provided on behalf of the subsidiaries		
Ceymac Rubber Company Limited	99	99
Ceytra (Private) Limited	8	8
Kelani Valley Canneries Limited	90	-
Total	197	107
Outstanding short term loan facility		
Ceymac Rubber Company Limited	72	50
Kelani Valley Canneries Limited	65	-
Total	137	50

These corporate guarantees have been provided for Hatton National Bank PLC and Commercial Bank of Ceylon PLC on behalf of the subsidiary companies Ceymac Rubber Company Limited, Ceytra (Private) Limited and Kelani Valley Canneries Limited for short term loan facilities, where repayment terms are less than 12 months.

There are no material contingent liabilities outstanding as at the reporting date other than as disclosed above which require adjustments to or disclosures in the Financial Statements.

34. Capital commitments

There are no material capital commitments as at the reporting date.

35. Comparative figures

Comparative figures have been reclassified to conform to the current year presentation.

36. Financial risk management

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework, including policies and procedures. In discharging its governance responsibility it operates through two key committees - the Group Management Committee and the Board of Directors Audit Committee. Risk management framework is reviewed regularly to reflect changes.

The Company has exposure to the following risks from its use of financial instruments

- Credit risk (Note 36.1)
- Liquidity risk (Note 36.2)
- Market risk (Note 36.3)
- Operational risk (Note 36.4)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

36.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows;

	Carrying amount			
	Group		Company	
As at 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
Trade receivables from related parties	662	8,295	6,048	11,238
Trade receivables	1,849,568	1,514,999	1,694,669	1,432,602
Deposits	7,958	10,109	7,111	9,262
Loans to employees	18,125	15,573	7,497	7,323
Other receivables	259,909	315,087	233,122	299,561
Held to maturity financial assets	-	360	-	-
Balances with banks	86,716	46,405	81,926	35,665
Total	2,222,938	1,910,828	2,030,373	1,795,651

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

However, the Management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. However, geographically there is no concentration of credit risk.

Notes to the Financial Statements (Contd.)

Impairment losses

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The aging of trade receivables at the reporting date was as follows:

As at 31 March	2017		2016	
	Gross Balance Rs.000's	Impairment Rs.000's	Gross Balance Rs.000's	Impairment Rs.000's
Group				
Past due 0-30 days	1,718,558	-	1,344,205	-
Past due 31-90 days	75,233	1,752	133,862	3,654
Past due 91-365 days	67,991	9,800	59,225	10,344
More than one year	19,756	19,756	11,341	11,341
Total	1,881,538	31,308	1,548,633	25,339
Company				
Past due 0-30 days	1,576,559	-	1,296,844	-
Past due 31-90 days	73,517	1,752	111,960	3,654
Past due 91-365 days	61,639	9,246	48,363	9,673
More than one year	18,705	18,705	9,631	9,631
Total	1,730,420	29,703	1,466,798	22,958

The Group holds collaterals against some long outstanding customers in the form of bank guarantees and they have been considered when assessing impairment loss.

The maximum exposure to credit risk for net trade receivables as at the reporting date by geographic was as follows:

	Carrying amount			
	Group		Company	
As at 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
Domestic	1,627,491	1,366,842	1,508,411	1,308,543
Asian region	85,805	53,544	66,187	53,544
European region	80,516	84,517	74,166	70,515
African region	11,051	9,535	1,797	-
Latin American region	17,531	-	17,531	-
Northern American region	27,174	561	26,577	-
Total	1,849,568	1,514,999	1,694,669	1,432,602

Held to maturity investments

The Group has invested Rs. 0.36 Mn on fixed deposits as at 31 March 2016 and fully provided for impairment for the financial year ended 31 March 2017.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of Rs. 88.3 million (2016 - Rs. 48.2 million) and Rs.83.3 million (2016 - Rs.37.3 million) retrospectively at 31 March 2017 which represent its maximum credit exposure on these assets.

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries. These corporate guarantees have been provided for Hatton National Bank PLC and Commercial Bank of Ceylon PLC on behalf of the subsidiaries' short term loan facilities, where repayment terms are less than 12 months.

Outstanding as at 31 March	2017 Rs.Mn	2016 Rs.Mn
Corporate guarantees provided on behalf of the subsidiaries		
Ceymac Rubber Company Limited	99	99
Ceytra (Private) Limited	8	8
Kelani Valley Canneries Limited	90	-
Total	197	107
Outstanding short term loan facility		
Ceymac Rubber Company Limited	72	50
Kelani Valley Canneries Limited	65	-
Total	137	50

35.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

As at 31 March 2017, Group has unutilised banking facilities amounting to Rs.373 million (2016 - Rs.535 million) representing 27% (2016- 39%) of the total bank facilities from the consortium of banks, i.e Hatton National Bank PLC, Commercial Bank of Ceylon PLC, NDB Bank PLC and Standard Chartered Bank.

The following are the contractual maturities of financial liabilities:

Group

As at 31 March	2017			2016		
	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's
Financial liabilities (non derivatives)						
Long term borrowings	4,901	1,376	3,525	2,632	672	1,960
Interest bearing short term borrowings	930,629	930,629	-	800,000	800,000	-
Trade and other payables	763,438	763,438	-	523,796	523,796	-
Trade payables to related parties	53,674	53,674	-	20,683	20,683	-
Bank overdraft	76,439	76,439	-	126,775	126,775	-
Total	1,829,081	1,825,556	3,525	1,473,886	1,471,926	1,960

Notes to the Financial Statements (Contd.)

Company

As at 31 March	2017			2016		
	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's
Financial liabilities (non derivatives)						
Interest bearing short term borrowings	792,629	792,629	-	685,000	685,000	-
Trade and other payables	705,794	705,794	-	470,439	470,439	-
Trade payables to related parties	71,862	71,862	-	29,083	29,083	-
Bank overdraft	48,146	48,146	-	105,026	105,026	-
Total	1,618,431	1,618,431	-	1,289,548	1,289,548	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

36.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

36.3.1 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Sri Lankan Rupees (LKR), The foreign currencies in which the set transactions primarily denominated are United State Dollars (USD) and Euro.

Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts was as follows:

As at 31 March	2017		2016	
	USD	Euro	USD	Euro
Group				
Trade and other payables	(271,362)	(1,132,315)	(229,926)	(107,498)
Trade and other receivables	976,232	224,824	973,501	224,016
Cash and cash equivalents	488,535	9,838	174,991	4,207
Gross statement of financial position exposure	1,193,405	(897,653)	918,566	120,725
Company				
Trade and other payables	(271,362)	(1,132,315)	(229,926)	(107,498)
Trade and other receivables	776,378	190,980	892,154	150,559
Cash and cash equivalents	481,740	9,719	170,691	4,015
Gross statement of financial position exposure	986,756	(931,616)	832,919	47,076

The following significant exchange rates were applicable during the year:

	Average rate		Reporting date spot rate	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
USD	147.29	139.00	152.10	147.50
Euro	161.60	153.50	163.55	166.99

Sensitivity analysis

A strengthening or weakening of the LKR, as indicated below, against the USD and Euro at 31 March 2017 would have increased/ (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Strengthening Profit or Loss Rs.000's	Weakening Profit or Loss Rs.000's
Group		
As at 31 March 2017		
USD (10% movement)	(18,152)	18,152
Euro (10% movement)	14,681	(14,681)
As at 31 March 2016		
USD (10% movement)	(13,549)	13,549
Euro (10% movement)	(2,016)	2,016
Company		
As at 31 March 2017		
USD (10% movement)	(15,009)	15,009
Euro (10% movement)	15,237	(15,237)
As at 31 March 2016		
USD (10% movement)	(12,286)	12,286
Euro (10% movement)	(786)	786

36.3.2 Interest rate risk

At the reporting date, the Company's interest-bearing financial instruments were as follow:

	Carrying amount			
	Group		Company	
As at 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
Fixed rate instruments				
Financial assets				
Related party receivables - subsidiaries	-	-	5,386	2,988
Financial liabilities				
Related party payables - subsidiaries	-	-	(18,722)	(8,400)
	-	-	(13,336)	(5,412)
Variable rate instruments				
Financial assets				
RFC deposits	75,915	26,514	74,862	25,847
Fixed deposits	-	360	-	-
Financial liabilities				
Long term borrowings	(4,901)	(2,632)	-	-
Bank overdrafts	(76,439)	(126,775)	(48,146)	(105,026)
Short term money market borrowings	(930,629)	(800,000)	(792,629)	(685,000)
	(936,054)	(902,533)	(765,913)	(764,179)

Notes to the Financial Statements (Contd.)

Sensitivity analysis for variable rate instruments

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax.

As at 31 March	2017 Profit or Loss Rs.000's	2016 Profit or Loss Rs.000's
Group		
Variable rate instruments (1% decrease)	9,361	9,025
Variable rate instruments (1% increase)	(9,361)	(9,025)
Company		
Variable rate instruments (1% decrease)	7,659	7,642
Variable rate instruments (1% increase)	(7,659)	(7,642)

36.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

36.5 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding no controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Accordingly, major part of the borrowings comprise short term money market loans and bank overdrafts with variable interest rates being used only to manage the working capital requirements of the day to day operations of the Group.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	Group		Company	
As at 31 March	2017 Rs.000's	2016 Rs.000's	2017 Rs.000's	2016 Rs.000's
Total liabilities	1,972,311	1,619,819	1,732,424	1,404,596
Less:				
Cash and cash equivalents	(88,268)	(48,243)	(83,294)	(37,328)
Net debts	1,884,043	1,571,576	1,649,130	1,367,268
Total equity	2,138,716	2,018,467	2,284,788	2,139,220
Net debt to equity ratio	0.88	0.78	0.72	0.64

There were no changes in the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

36.6 Fair values of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level I : Quoted market price (unadjusted) in an active market for an identical instrument.

Level II : Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial instruments which are not carried at fair value on the Statement of Financial Position.

The table below shows a comparison of the carrying amounts, as reported on the Statement of Financial Position, and fair values of financial assets and liabilities carried at amortised cost.

	2017		2016	
As at 31 March	Carrying amount Rs.000's	Fair value Rs.000's	Carrying amount Rs.000's	Fair value Rs.000's
Group				
Assets				
Trade receivables from related parties	662	662	8,295	8,295
Trade receivables and other receivable	2,135,560	2,135,560	1,855,768	1,855,768
Held to maturity investments	-	-	360	360
Cash and cash equivalents	88,268	88,268	48,243	48,243
	2,224,490	2,224,490	1,912,666	1,912,666
Liabilities				
Interest bearing long term borrowings	4,901	4,901	2,632	2,632
Interest bearing short term borrowings	930,629	930,629	800,000	800,000
Trade payables to related parties	53,674	53,674	20,683	20,683
Trade and other payables	763,438	763,438	523,796	523,796
Bank overdraft	76,439	76,439	126,775	126,775
	1,829,081	1,829,081	1,473,886	1,473,886

Notes to the Financial Statements (Contd.)

As at 31 March	2017 Carrying amount Rs.000's	2017 Fair value Rs.000's	2016 Carrying amount Rs.000's	2016 Fair value Rs.000's
Company				
Assets				
Trade receivables from related parties	6,048	6,048	11,238	11,238
Trade receivables and other receivable	1,942,399	1,942,399	1,748,748	1,748,748
Cash and cash equivalents	83,294	83,294	37,328	37,328
	2,031,741	2,031,741	1,797,314	1,797,314
Liabilities				
Interest bearing short term borrowings	792,629	792,629	685,000	685,000
Trade payables to related parties	71,862	71,862	29,083	29,083
Trade and other payables	705,794	705,794	470,439	470,439
Bank overdraft	48,146	48,146	105,026	105,026
	1,618,431	1,618,431	1,289,548	1,289,548

Ten Year Historical Summary

	31 December			31 March						
Year	2007	2008	2009	2011	2012	2013	2014	2015	2016	2017
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
OPERATING RESULTS										
Revenue	4,409,163	5,322,668	4,622,730	9,317,046	9,703,084	7,647,208	7,343,741	7,618,108	7,859,633	8,837,350
Results from operating activities	222,492	149,945	282,895	415,428	588,635	306,936	374,629	326,484	409,788	416,439
Net financing costs	(91,552)	(100,472)	(97,936)	(64,987)	(77,604)	(58,836)	(62,146)	(52,711)	(7,865)	(67,371)
Other operating expenses	(23,803)	(51)	-	-	-	-	-	-	-	-
Profit before taxation	107,137	49,422	184,959	350,441	511,031	248,100	312,483	273,773	401,923	349,068
Income tax expense	10,748	(3,297)	(66,286)	(94,232)	(115,972)	(84,587)	(103,154)	(94,318)	(123,401)	(111,937)
Profit after tax	117,885	46,125	118,673	256,209	395,059	163,513	209,329	179,455	278,522	237,131
Non-controlling interests	(7,469)	(702)	(11,820)	(1,592)	(2,296)	(1,503)	(1,013)	10,244	6,729	(654)
Profit for the year	110,416	45,423	106,853	254,617	392,763	162,010	208,316	189,699	285,251	236,477
FINANCIAL POSITION										
Assets										
Non-current assets	688,416	761,223	746,698	785,969	853,776	852,228	886,279	880,463	864,854	812,094
Current assets	1,120,507	1,176,989	1,149,967	2,227,319	2,427,909	2,102,243	2,514,238	2,302,690	2,801,463	3,327,942
Total assets	1,808,923	1,938,212	1,896,665	3,013,288	3,281,685	2,954,471	3,400,517	3,183,153	3,666,317	4,140,036
Equity and liabilities										
Equity										
Stated capital	507,047	507,047	507,047	507,047	507,047	507,047	507,047	507,047	507,047	507,047
Capital reserves	473,349	458,809	444,359	8,734	8,734	8,734	8,734	8,734	8,734	8,734
Revenue reserves	(110,519)	(69,714)	24,598	706,808	1,018,527	1,144,983	1,247,551	1,320,112	1,502,686	1,622,935
Available-for-sale reserve	-	-	-	1,172	1,014	1,115	1,094	1,236	-	-
Equity attributable to equity holders of the Company	869,877	896,142	976,004	1,223,761	1,535,322	1,661,879	1,764,426	1,837,129	2,018,467	2,138,716
Non-controlling interests	13,431	14,133	25,953	26,620	28,397	29,817	46,190	34,615	28,031	29,009
Total equity	883,308	910,275	1,001,957	1,250,381	1,563,719	1,691,696	1,810,616	1,871,744	2,046,498	2,167,725
Non-current liabilities	223,157	166,460	183,678	205,572	185,157	159,093	150,545	122,473	92,038	78,039
Current liabilities	702,458	861,477	711,030	1,557,335	1,532,809	1,103,682	1,439,356	1,188,936	1,527,781	1,894,272
Total equity and liabilities	1,808,923	1,938,212	1,896,665	3,013,288	3,281,685	2,954,471	3,400,517	3,183,153	3,666,317	4,140,036
RATIOS										
Basic earnings per share (Rupees)	3.07	1.26	2.97	7.07	10.66	4.50	5.79	5.27	7.93	6.57
Revenue growth rate (%)	1.9	20.7	(13.2)	101.5	4.1	(21)	(4.0)	3.7	3.0	12.4
Net profit ratio (%)	2.5	0.9	2.3	2.7	4.0	2.1	2.8	2.5	3.6	2.7
Current ratio (1:)	1.60	1.37	1.62	1.43	1.58	1.90	1.75	1.94	1.84	1.76
Net asset per share (Rupees)	24.17	24.90	27.12	34.00	42.66	46.18	49.03	51.05	56.09	59.43
Net return on capital employed (%)	20.1	13.9	23.9	28.5	33.7	16.6	19.1	16.4	19.2	18.5
Dividends per share (Rupees)	0.75	0.75	1.00	1.00	2.00	1.00	3.00	3.00	3.00	3.50
Dividend payout ratio (%)	24	59	34	14	19	22	52	57	38	53

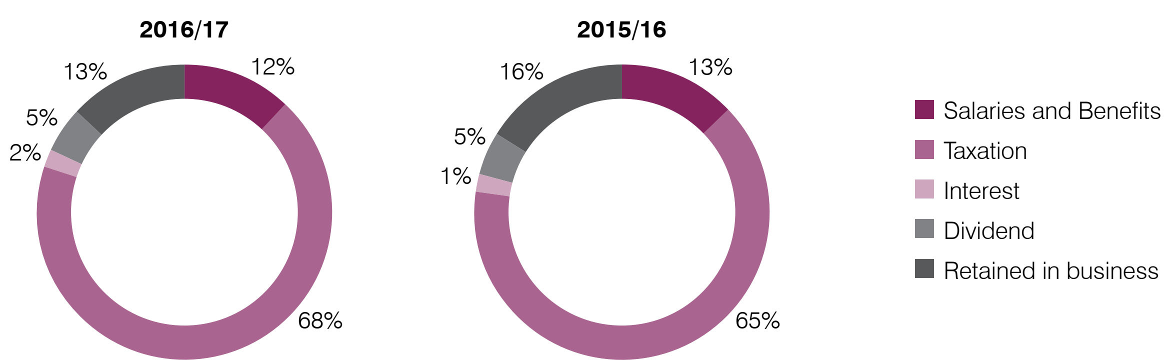
Consolidated Statement of Value Added

Organisations utilise raw materials and other inputs to create a saleable product. The difference between the sales income and the cost of bought-in-materials and services is generally regarded as the value added by the organisation. Value added, therefore, denotes the contribution made to the nation's economy by the efforts of employers and employees, i.e. the wealth created by an organisation's activities.

The following statement shows the contribution made to the Sri Lankan economy by C. W. Mackie PLC and its subsidiary companies and their employees during the last two (2) periods. This total value added was distributed to the employees, the Government of the Democratic Socialist Republic of Sri Lanka, lenders and providers of capital, with a part being retained for use within the Group:

For the year ended 31 March	2017 Rs. Million	2016 Rs. Million
Value added		
Sales made to external customers	8,837.4	7,859.6
Less: material and services bought in from outside	(6,296.9)	(5,605.2)
	2,540.5	2,254.4
Add: other income/expenses (net)	132.0	125.1
Total value added available for distribution	2,672.5	2,379.5

	2017	Rs. Million	%	2016	Rs. Million	%
Distribution of value added						
To employees						
-Wages, salaries and benefits		319.2	11.9		302.5	12.7
To Government revenue						
-Import duties and VAT/NBT	1,619.8			1,347.0		
-Export duties	41.5			72.4		
-Income tax	120.5			127.0		
-Economic Service Charge	29.6	1,811.4	67.9	2.0	1,548.4	65.1
To lenders						
-Interest		70.1	2.6		36.3	1.5
Providers of equity capital						
-Dividends		126.0	4.7		108.0	4.5
Retained in business						
-Depreciation on fixed assets	99.6			92.7		
-Retained earnings	246.2	345.8	12.9	291.6	384.3	16.2
Total value added distributed		2,672.5	100.0		2,379.5	100.0
No. of employees in the Group		582			571	
Value added per employee (Rs' 000)		4,592			4,167	



Investor Information

Financial Calendar

Ninety Fourth Annual General Meeting	-	23 June 2016

Interim Reports

First Quarterly Report		
3 months to 30 June 2016	-	15 August 2016
Second Quarterly Report		
6 months to 30 September 2016	-	10 November 2016
Third Quarterly Report		
9 months to 31 December 2016	-	7 February 2017
Fourth Quarterly Report		
12 months to 31 March 2017	-	29 May 2017
Annual Report - Financial Year 2017	-	30 May 2017
Ninety Fifth Annual General Meeting	-	28 June 2017

Distribution Schedule of Shareholders

Holdings (Shares)	31 March 2017 No. of Holders	31 March 2017 Total Shares	31 March 2017 Holdings %	31 March 2016 No. of Holders	31 March 2016 Total Shares	31 March 2016 Holdings %
1 - 1,000	1,706	358,187	0.99	1,698	356,716	0.99
1,001 - 10,000	226	750,978	2.09	251	845,552	2.35
10,001 - 100,000	42	1,542,083	4.28	38	1,230,256	3.42
100,001 - 1,000,000	7	2,654,922	7.38	6	1,600,789	4.45
Over - 1,000,000	5	30,682,386	85.26	3	31,955,243	88.79
	1,986	35,988,556	100.00	1,996	35,988,556	100.00

Investor Information (Contd.)

Twenty Largest Shareholders as at 31 March 2017

	Name of Shareholder	31 March 2017 No. of Shares (Voting)	31 March 2017 %	31 March 2016 No. of Shares (Voting)	31 March 2016 %
1	National Development Bank PLC/Lankem Ceylon PLC	16,000,000	44.46	12,267,526	34.09
2	Seylan Bank PLC/Dr. T. Senthilverl	8,983,000	24.96	8,983,000	24.96
3	Lankem Ceylon PLC	2,137,526	5.94	7,157,857	19.89
4	Sampath Bank PLC/Dr. T. Senthilverl	1,782,575	4.95	1,782,575	4.95
5	Pan Asia Banking Corporation PLC/Lankem Ceylon PLC	1,779,285	4.94	1,779,285	4.94
6	Acuity Partners (Pvt) Limited/Union Investment (Pvt) Limited	950,000	2.64	-	-
7	Amana Bank PLC	896,437	2.49	890,560	2.47
8	Corporate Holdings (Pvt) Limited Account No. 1	225,802	0.63	-	-
9	Mr. P. P. Anandarajah	155,100	0.43	155,100	0.43
10	Mr. M. A. Lukmanjee	155,000	0.43	155,000	0.43
11	Employees Provident Fund	139,740	0.39	139,740	0.39
12	People's Leasing and Finance PLC/L.P. Hapangama	132,843	0.37	83,128	0.23
13	Harnam Holdings SDN BHD	100,000	0.28	-	-
14	Ms. N. Harnam	100,000	0.28	-	-
15	Sir F. I. Rahimtoola	90,000	0.25	90,000	0.25
16	Bank of Ceylon No. 1 Account	88,972	025	78,505	0.22
17	Mr. M.M.M. Milfer	72,925	0.21	90,935	0.25
18	Seylan Bank PLC/Mr. L.C.R. Pathirana	60,397	0.17	50,459	0.14
19	Mr. Z. G. Carimjee	60,200	0.17	60,200	0.17
20	HSBC International Nominees Limited-SSBT-Deustche Bank	60,018	0.17	-	-

Categories of Shareholders

Categories	31 March 2017 No. of Holders	31 March 2017 Share Holding	31 March 2017 Total %	31 March 2016 No. of Holders	31 March 2016 Share Holding	31 March 2016 Total %
Individuals	1,878	2,040,743	5.67	1,895	2,308,935	6.42
Institutions	108	33,947,813	94.33	101	33,679,621	93.58
	1,986	35,988,556	100.00	1,996	35,988,556	100.00
Public	1,979	5,305,170	14.74	1,991	4,018,313	11.17

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Ninety Fifth Annual General Meeting of **C. W. Mackie PLC** will be held at Level 6, Public Forum, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha (Longdon Place), Colombo 7 on Wednesday, 28 June 2017 at 2.30 p.m. for the following purposes :

1. To receive and consider the Annual Report of the Board of Directors and Financial Statements for the year ended 31 March 2017 with the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To approve the re-appointment of Mr. H. D. S. Amarasuriya, who retires by rotation in terms of Article 89 of the Articles of Association and who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company*.
4. To approve the re-appointment of Mr. W. T. Ellawala, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company**.
5. To approve the re-appointment of Deshabandu A. M. de S. Jayaratne, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company***.
6. To approve the re-appointment of Mr. R. C. Peries, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company****.
7. To approve the re-appointment of Mr. Alagarajah Rajaratnam, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company*****.
8. To approve the re-appointment of Dr. T. Senthilverl who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company******.
9. To authorise the Directors to determine and make donations.
10. To re-appoint KPMG, Chartered Accountants, as Auditors to the Company and authorise the Directors to determine their remuneration.

By Order of the Board

Ms. C. R. Ranasinghe
Director/Company Secretary

Colombo
30 May 2017

Notice of Meeting (Contd.)

Note:

* A Notice dated 22 May 2017 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution, with regard to the approval of the re-appointment of Mr. H. D. S. Amarasuriya as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:

  "That Mr. Hemaka Devapriya Senarath Amarasuriya who retires by rotation in terms of Article 89 of the Articles of Association and who is seventy three years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. Hemaka Devapriya Senarath Amarasuriya"

** A Notice dated 22 May 2017 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution, with regard to the approval of the appointment of Mr. W. T. Ellawala as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:

"That Mr. William Tissa Ellawala who is eighty years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. William Tissa Ellawala."

*** A Notice dated 22 May 2017 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution, with regard to the approval of the re-appointment of Deshabandu A. M. de S. Jayaratne as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:

"That Deshabandu Ajit Mahendra de Silva Jayaratne who is seventy seven years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Deshabandu Ajit Mahendra de Silva Jayaratne."

**** A Notice dated 22 May 2017 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution, with regard to the approval of the re-appointment of Mr. R. C. Peries as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:

"That Mr. Ranjit Crisantha Peries who is seventy six years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. Ranjit Crisantha Peries."

***** A Notice dated 22 May 2017 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution, with regard to the approval of the re-appointment of Mr. Alagarajah Rajaratnam as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:

"That Mr. Alagarajah Rajaratnam who is seventy five years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. Alagarajah Rajaratnam."

****** A Notice dated 22 May 2017 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution, with regard to the approval of the re-appointment of Dr. T. Senthilverl as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:

"That Dr. Thirugnanasambandar Senthilverl who is seventy one years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said "Dr. Thirugnanasambandar Senthilverl."

(i) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote on his behalf.
(ii) A Proxy need not be a member of the Company.
(iii) A Form of Proxy is enclosed for this purpose.
(iv) The instrument appointing the Proxy must be deposited at the Registered Office of the Company, No. 36, D. R. Wijewardena Mawatha, Colombo 10 before 2.30 p. m. on 26 June 2017.

Notes

Notes

Form of Proxy

I/We……of
………being a member/members of
C. W. Mackie PLC hereby appoint…………………………………………………………………………………………………of
……or failing him/her

William Tissa Ellawala	or failing him
Camani Renuka Ranasinghe	or failing her
Ajit Mahendra de Silva Jayaratne	or failing him
Ranjit Crisantha Peries	or failing him
Anushman Rajaratnam	or failing him
Sri Dhaman Rajendram Arudpragasam	or failing him
Thirugnanasambandar Senthilverl	or failing him
Hemaka Devapriya Senarath Amarasuriya	or failing him
Karawa Thanthrige Aruna Mangala Perera	or failing him
Alagarajah Rajaratnam	

as my/our Proxy to represent me/us and speak and vote on my/our behalf as indicated below at the Ninety Fifth Annual General Meeting of the Company to be held on Wednesday, 28 June 2017 and at any adjournment thereof and at every poll which may be taken in consequence thereof :

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors and Financial Statements for the year ended 31 March 2017 with the Report of the Auditors thereon.		
2.	To declare a Dividend as recommended by the Directors.		
3.	To approve the re-appointment of Mr. H. D. S. Amarasuriya, who retires by rotation in terms of Article 89 of the Articles of Association, and who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company.		
4.	To approve the re-appointment of Mr. W. T. Ellawala, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company.		
5.	To approve the re-appointment of Deshabandu A. M. de S. Jayaratne, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company.		
6.	To approve the re-appointment of Mr. R. C. Peries, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company.		
7.	To approve the re-appointment of Mr. Alagarajah Rajaratnam, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company.		
8.	To approve the re-appointment of Dr. T. Senthilverl, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company.		
9.	To authorise the Directors to determine and make donations.		
10.	To re-appoint KPMG, Chartered Accountants, as Auditors to the Company and authorise the Directors to determine their remuneration.		

Signed this ……………….day of ………………………2017.

…………………………………...
Signature of Member/s

NOTE:

(1) The Proxyholder may vote as he thinks fit on any other resolution, of which due notice has been given, brought before the Meeting.
(2) A Proxyholder need not be a member of the Company.
(3) Instructions for completion of the Proxy are contained overleaf.

Notice of Meeting (Contd.)

INSTRUCTIONS FOR COMPLETION OF PROXY

1. Please perfect the Form of Proxy overleaf by signing in the space provided and filling in legibly your full name, address and other required details.
2. If you wish to appoint a person other than the Directors named overleaf as your Proxy, please insert legibly the relevant details in the space provided overleaf and initial against this entry.
3. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the member is a company or body corporate, the Form of Proxy should be executed under its common seal in accordance with its Articles of Association or Constitution.
5. Please indicate with an `X' in the space provided how your Proxy is to vote on each resolution. If there is any doubt as to how the vote is to be exercised by the Proxyholder, by reason of the manner in which the Form of Proxy has been completed, the Proxyholder will vote as he thinks fit.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.36, D. R. Wijewardena Mawatha, Colombo 10 not later than 2.30 p.m. on 26 June 2017 being 48 hours before the time appointed for the holding of the Meeting.

Corporate Information

Name of Company

C. W. Mackie PLC

Company Registration Number

PQ 47

Legal Form

A public company with limited liability incorporated in Sri Lanka in February 1922. Shares of the Company are listed on the trading floor of the Colombo Stock Exchange.

Directors

W. T. Ellawala (Chairman/Chief Executive Officer)
Ms. C. R. Ranasinghe
A. M. de S. Jayaratne
R. C. Peries
Anushman Rajaratnam
S. D. R. Arudpragasam
Dr. T. Senthilverl
H. D. S. Amarasuriya
K. T. A. Mangala Perera
Alagarajah Rajaratnam

Company Secretary

Ms. C. R. Ranasinghe

Registered Office and Corporate Head Office

No. 36, D. R. Wijewardena Mawatha, Colombo 10
Telephone: 2423554 - 62
Fax: 2440228
E-mail: info@cwmackie.com
Website: www.cwmackie.com

Auditors

KPMG
Chartered Accountants

Principal Bankers

Hatton National Bank PLC
Commercial Bank of Ceylon PLC
NDB Bank PLC
Standard Chartered Bank PLC

Legal Advisors

Julius & Creasy
Attorneys-at-Law, Solicitors & Notaries Public

Group Management Committee

W. T. Ellawala
Chairman/Chief Executive Officer

Ms. C. R. Ranasinghe
Director/Company Secretary

K. T. A. Mangala Perera
Executive Director - Internal Trading

E. A. A. K. Edirisinghe
Chief Operating Officer - Export Division

B. A. F. G. Suares
Chief Financial Officer

G. A. de Silva
Director/Chief Operating Officer
Ceytra (Private) Limited & Ceymac Rubber Company Limited

T. A. P. Silva
Chief Operating Officer - Consumer Products Manufacturing

C. M. Ockersz
General Manager - Warehousing

N. J. P. Jayasinghe
Chief Operating Officer - Sales & Marketing
(Scan Products Division)

L. M. Raveendra - General Manager - Finance

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C. W. Mackie PLC
No. 36, D. R. Wijewardena Mawatha
Colombo 10
Sri Lanka.

www.cwmackie.com