Annual Report 2017/18

Leverage

Powering progress with people and technology

Estd - 1900

C. W. MACKIE PLC

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Why this Concept

This report's theme is centred around C.W. Mackie PLC's staff who are the foundation and backbone of the Company and whose contributions behind-the-scenes continue to grow in magnitude.

- Copyline Creative Team -

Leverage

Powering progress with people and technology

A legacy of 118 years of unsurpassed excellence and still going strong. Our loyal workforce who have worked tirelessly to make us one of Sri Lanka's pioneering trading house are our pillars of stability. Having believed in us since inception, they have strategically helped us strengthen our portfolio and expand our operations. As a forward-thinking company, we have prioritised our investment in and reliance on state-of-the-art technology. We believe that by leveraging the passion and talent of our people and harnessing the power of technology, we can continue our trajectory of expansion for a stronger tomorrow, with the greater good as our focal point.

Our Vision

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

Our 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 of the country.

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 drinking water under "Scan" brand for domestic distribution.

SUBSIDIARIES

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.

SUNQUICK LANKA PROPERTIES (PRIVATE) LIMITED

Stated Capital: Rs.601,960,000

Number of Shares Issued: 6,019,610

Group Interest: 51%

Owns land and buildings of the Sunquick plant in Horana.

ASSOCIATE

SUNQUICK LANKA (PRIVATE) LIMITED

Stated Capital: Rs. 628,244,898

Number of shares issued: 6,282,449

Group Interest: 49%

Bottling of "Sunquick" range of fruit squashes.

About
C.W. Mackie PLC

FMCG

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

MANUFACTURING

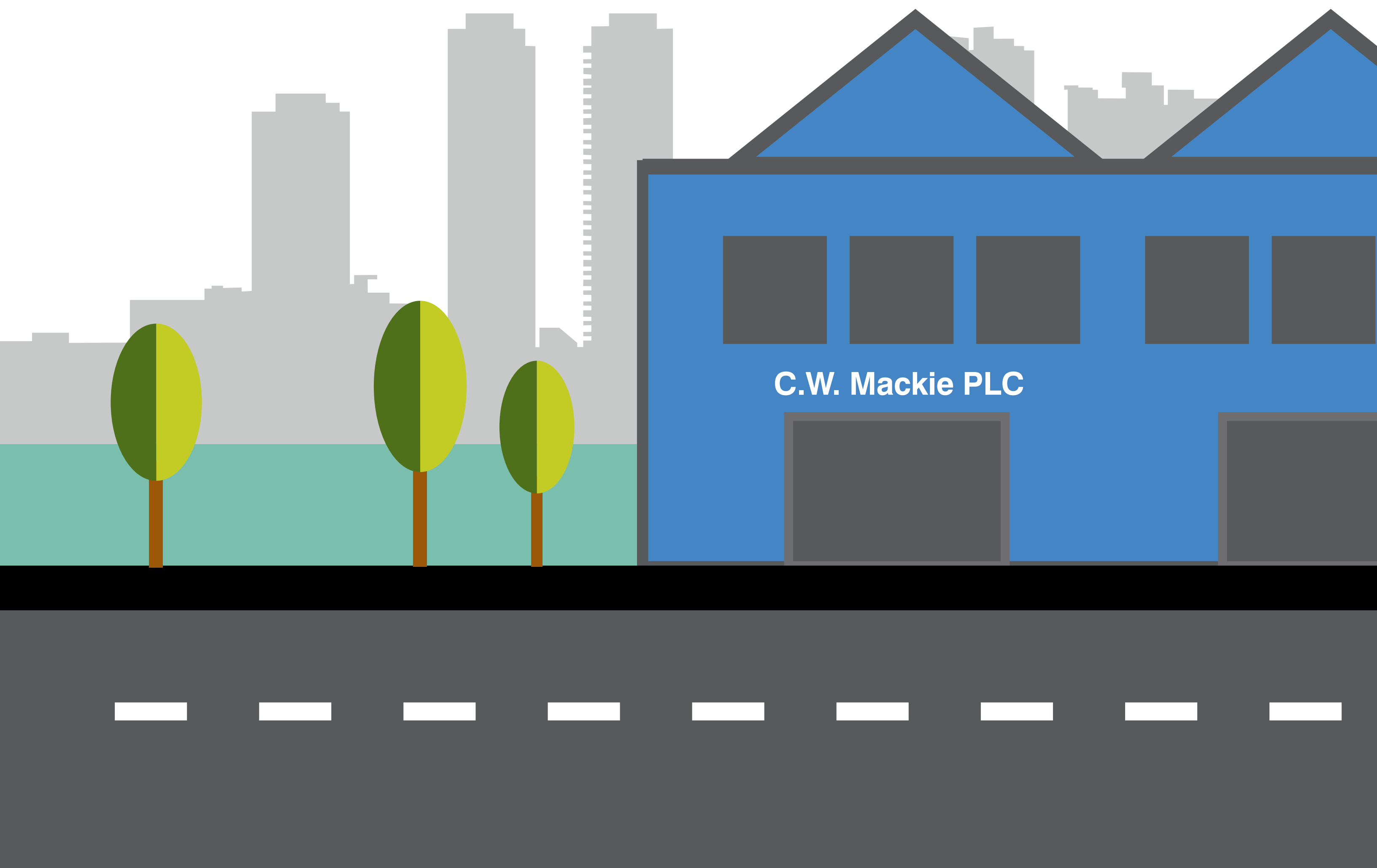
Engages in manufacture, sale and export of technically specified rubber (TSR), sole crepe and moulded rubber products

MARINE PAINTS

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

EXPORT TRADING

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



SUGAR TRADING

Engages in import and wholesale distribution of sugar to industrial users

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

INDUSTRIAL PRODUCTS

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

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. 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 four 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.

“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 and later converted it to a public company.”

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) and 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.

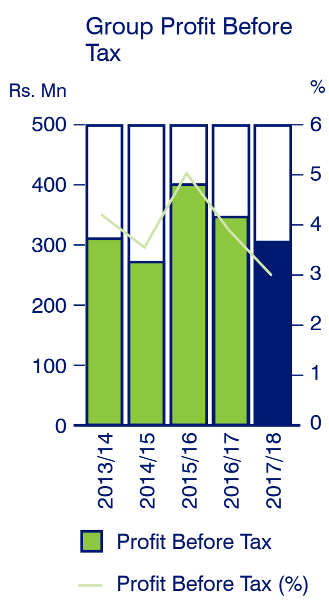
Financial Highlights

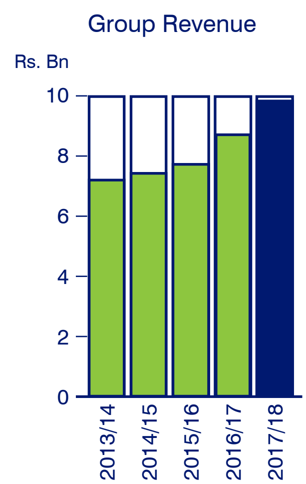
Rs. 4.9 Bn
Total Assets

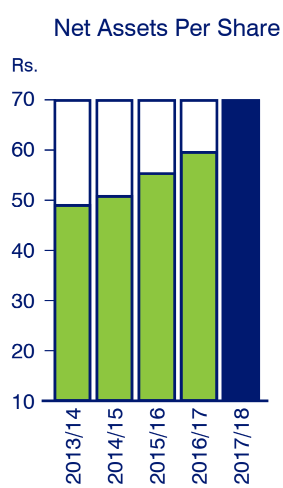
Rs. 10 Bn
Group Revenue

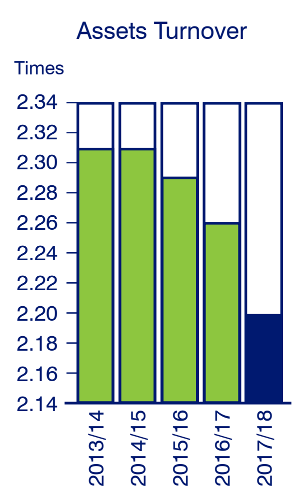
Rs. 2.2 Bn
Shareholders' Funds

Rs. 219.8 Mn
Group Profit After Tax









For the year ended 31 March		2018	2017	Change
Operating Highlights and Ratios				
Group revenue	Rs. 000's	9,973,563	8,837,350	13%
Group gross profit	Rs. 000's	1,164,578	1,282,890	-9%
Group profit before tax	Rs. 000's	306,501	349,068	-12%
Group profit after tax	Rs. 000's	219,816	237,131	-7%
Profit attributed to parent company	Rs. 000's	218,564	236,477	-8%
Group earnings per share	Rs.	6.07	6.57	-8%
Dividend per share*	Rs.	3.50	3.50	0%
Interest cover ratio	No. of times	3.98	5.87	-32%
Net return on capital employed	%	16.09	18.54	-13%
Net return on shareholders' funds	%	9.03	11.56	-22%
Earnings per share	Rs.	6.07	6.57	-8%
Group foreign exchange earnings	Rs. 000's	1,797,775	1,605,353	12%
Contribution to government revenue	Rs. 000's	2,089,000	1,811,400	15%
Group value added	Rs. 000's	2,978,600	2,672,500	12%
Value added per employee	Rs. 000's	5,377	4,616	17%
Balance Sheet Highlights and Ratios				
Total assets	Rs. 000's	4,880,445	4,140,036	22%
Total shareholders' funds	Rs. 000's	2,211,763	2,138,716	3%
Total debt	Rs. 000's	1,394,335	1,011,969	38%
Current ratio	1:	1.57	1.76	-13%
Net asset value per share	Rs.	61.46	59.43	3%
Debt/equity	%	63%	47%	33%
Debt/total assets	%	29%	24%	13%
Group capital expenditure	Rs. 000's	121,188	262,382	-61%
Market / Shareholder Information				
Market value per share				
- at year end	Rs.	48.60	54.70	
- during the year - Highest	Rs.	58.00	64.00	
- during the year - Lowest	Rs.	42.30	47.00	
Dividend payout ratio	%	58%	53%	
Dividend yield	%	7%	6%	
Price earnings ratio (PER)	No. of times	8	8.31	
General				
Number of employees in Group		554	582	
Value in Rs. at official exchange rate	United States Dollar	155.60	152.10	
	Sterling Pound	219.53	192.46	
	Euro	191.67	163.55	

* Cash dividends paid during the year

OPTIMISE

We live to enrich your lifestyle with innovative and exceptional products that offer greater satisfaction in everyday use. Our talented workforce has been trained to use state-of-the-art technology for greater efficiency and resource optimisation, from start to finish.

"It's a pleasure working at C.W. Mackie where I have accumulated immense experience as a food handler, with expertise in the area of food safety."

Sudath Sripal Premakumara

C.W. Mackie PLC
(Scan Bottled Drinking Water Plant – Horana)

Chairman/Chief Executive Officer's Review

On behalf of the Board of Directors I am pleased to welcome you to the Ninety Sixth 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 2018.

Financial Results

Group Gross Profit

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

	Group	
	Year ended 31 March 2018 Rs. Million	Year ended 31 March 2017 Rs. Million
C. W. Mackie PLC	1,051.6	1,165.5
Ceymac Rubber Company Limited	54.5	62.1
Ceytra (Private) Limited	17.0	16.5
Kelani Valley Canneries Limited	37.4	39.3
Sunquick Lanka Properties (Private) Limited	1.8	-
	1,164.2	1,283.4

Group Results From Operating Activities

The Group's result from operating activities for the period under review was Rs.423.9 million.

Group Profit Before Tax

The Group's ordinary activities resulted in a net profit before tax of Rs.306.5 million for the financial year ended 31 March 2018 as given hereunder:

	Group	
	Year ended 31 March 2018 Rs. Million	Year ended 31 March 2017 Rs. Million
Profit from operating activities	423.9	416.4
Less : Net financing cost	(96.7)	(67.4)
Share of joint venture's loss	(20.7)	-
Profit before taxation	306.5	349.0

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 2018 was Rs.199.0 million and is shown in the following analysis:

	Group	
	Year ended 31 March 2018 Rs. Million	Year ended 31 March 2017 Rs. Million
Group profit from operating activities	423.9	416.4
Less : Net financing costs	(96.7)	(67.4)
Share of Joint Venture's Loss	(20.7)	-
Group profit before taxation	306.5	349.0
Tax expense	(86.7)	(111.9)
Group profit after taxation	219.8	237.1
Other comprehensive income	(20.1)	10.1
Group total comprehensive income	199.7	247.2
Non-controlling interests	(0.7)	(0.9)
Equity holders of the Parent Company	199.0	246.3

Overall Performance

C. W. MACKIE PLC (Parent Company)

The Company's net revenue in the financial year ended 31 March 2018 was Rs.9,272.3 million. The profit from operating activities was Rs.450.2 million and the profit for the year, after charging income tax of Rs.84.7 million, was Rs.236.5 million.

C.W. MACKIE PLC (Group)

The Group's consolidated net revenue for the financial year ended 31 March 2018 was Rs.9,973.6 million as compared with Rs.8,837.4 million in 2017. The major contribution towards the consolidated net revenue was from FMCG sales and distribution activities of Rs.6,855.9 million an increase of 13.3% as compared with the previous year.

The results from operating activities was Rs.423.9 million and the net profit for the period, after charging income tax of Rs.86.7 million, was Rs.219.8 million.

The consolidated Group comprehensive income for the year, after charging income tax of Rs.86.7 million, was Rs.199.7 million as compared with Rs.247.2 million in 2017.

The profit for the year was less than the previous year because of subsidiary company losses that included a substantial provision for impairment in Kelani Valley Canneries Limited that eroded overall profitability.

Although the global economy experienced a cyclical recovery during 2017, with substantial improvements in investment, manufacturing and trading activities, economic growth in Sri Lanka did not reflect similar trends in global growth. The country's GDP growth was 3.1% in 2017, which is the lowest in a decade. The low growth was largely due to extreme weather that prevailed during the year and adversely impacted on the agricultural sector.

Adverse weather conditions depleted plantation and food crops in many areas in the country. This resulted in Government allowing imports of rice and other essential foods to meet shortages. This added considerable pressure to the external account and raised food prices, which increased inflation to a monthly average of approximately 7.7% throughout the year.

VAT increases, high interest rates and exchange rate depreciation significantly raised import costs and retail prices of locally manufactured and imported goods during the year.

Although the depreciation of the rupee favoured exports, the adverse weather that prevailed for most of the year saw a significant drop in the Company's exports of natural rubber and desiccated coconut due to reduced output of these commodities.

These negative market factors escalated operating costs of the Group and reduced profit margins, resulting in a lower bottom line growth. Although most operating units produced profits, some sectors were unable to perform as well as forecast due to the market conditions that prevailed during the year.

Internal Trading

The internal trading activities of the Group contributed 94% of the profit for the period with the FMCG segment, Hempel brand marine paints and Danfoss brand refrigeration and air-conditioning components business contributing the most.

"The internal trading activities of the Group contributed 94% of the profit for the period with the FMCG segment, Hempel brand marine paints and Danfoss brand refrigeration and air-conditioning components business contributing the most."

The internal trading activities of the Group is the fastest growing segment of the Group business and has the greatest potential for expansion.

During the year under review an entirely new range of bakery products in the FMCG segment and several new products in the refrigeration and air-conditioning category, including compressors and copper tubes were introduced.

In the background of the rapid depreciation of the Sri Lanka Rupee against the US Dollar and other major currencies and rising import duties on consumer products, the strategy is to concentrate on developing new food and beverage products out of locally produced raw materials. This policy has been consistently pursued in developing and maintaining a product range at Kelani Valley Canneries Limited (KVC) manufactured wholly out of local raw materials.

Fast Moving Consumer Goods (FMCG)

The manufacture, sale and distribution of FMCG is the most profitable segment of the internal trading activities of the Group. Net turnover was Rs.6.8 billion as compared with Rs.6.0 billion in 2017 and net profit Rs.108.2 million as compared with Rs.185.5 million in 2017. The highest contribution to sales growth was from the Sunquick brand of fruit squashes of Rs.1.6 billion. Sunquick is the brand leader with a 70% share of the fruit squash and cordial market.

The joint venture with Co-Ro A/S, Denmark for the purpose of manufacturing, processing and marketing Sunquick products in the form of concentrate and Ready-to-Drink (RTD) products was operationalised in June 2017. The plant to manufacture RTD products is under construction and the RTD products manufactured in Sri Lanka is expected to be launched during Q1 of 2019. Meanwhile, the existing Sunquick concentrate production plant has been expanded and the additional capacity will be utilised to export Sunquick concentrate products to regional markets by Q3 of 2018.

In terms of the joint venture agreement, Scan Products Division of the Company will be the sole distributor of the full range of Sunquick products in the Sri Lanka market. As the distributor, the Company will receive a margin on sales.

In order to carry out day-to-day operational and administrative functions, the Company has agreed to provide services to the joint venture company in the areas of human resources, general factory maintenance, procurement, corporate affairs and marketing and brand management at a service fee in terms of the provisions of a Service Level Agreement entered into.

The capacity to manufacture bottled drinking water has been expanded by the addition of high speed filling and labeling equipment and this has significantly increased output. Production of Scan brand bottled drinking water for the year was 10.8 million litres and sales Rs.229.9 million. Action to introduce Scan brand bottled water in glass bottles has been initiated and Scan bottled water in 500 ml glass bottles has been released to selected outlets in the food service and modern trade (super markets).

Sugar

The Company traded 26,200 MT of sugar and achieved a turnover of Rs.2.9 billion. Sales were largely to industrial users in the confectionary, bakery, fruit juice, dairy 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 grow sales by 11.5% in a trading environment of declining global sugar prices. Frequent Government intervention in raising the CESS on imports of sugar to countervail lower global sugar prices eroded margins and capacity to maintain profits. During the year under review the CESS on sugar was increased from Rs.18/- per Kg. to Rs.23/- per Kg. to Rs.31/- per Kg. thereby destabilising the market and wiping out distributor margins to unprofitable levels.

The net profit on sugar trading was Rs.14.9 million as compared with Rs.33.4 million in 2017 and reflects the difficult market conditions that prevailed throughout the year.

Industrial Products

The activities of the Industrial Products Division has been scaled down and is now confined only to the import and sale of welding products, light engineering items and energy generating equipment (generators). Machinery items imported at high cost, and sold at low margins have been phased out. The target market has also been rationalised and there is greater focus now on sales to end users in the construction, dairy and sugar industries.

The traditional market, particularly for welding products, continue to be the small hardware merchants, where margins are low and collection of sales proceeds slow and often difficult. This has resulted in the Company having to recruit to its permanent cadre a fulltime recovery officer and this has significantly improved the collection of receivables from the trade. Low margins on sales and high financing costs due to delays in collecting sales proceeds impacted adversely on the business and resulted in a net loss of Rs.5.1 million.

A series of measures have been introduced to manage stock holding costs, improve debt collection and diversify the customer base and these initiatives are expected restore profitability of the industrial products activity.

Sales for the year was Rs.258.5 million and reflected a drop of 12.5% as compared to 2016-2017.

Refrigeration and Air-Conditioning Components (R&AC)

The R&AC business showed considerable growth in the year 2017-2018. Sales for the period was Rs.242.6 million as compared with Rs.145.4 million in 2016-2017 and net profit increased to Rs.31.0 million as compared with Rs.20.8 million in 2016-2017.

There was a significant improvement in sales of the Danfoss range of R&AC products and refrigerant gas, and the introduction of compressors and copper tubes to the product range during the year added considerable value to sales growth.

Condensers imported in knocked-down condition are now being assembled at the Company's repair and service facility established to provide after sales services and repair and maintenance of the current range of equipment marketed by the Company.

Several more initiatives to expand the R&AC business are being pursued and the prospects of R&AC becoming a major profit centre in the future is most encouraging.

Marine Paints

The marine paints and protective coating business produced another year of impressive sales and profits.

Revenue was Rs.376.4 million on sales of 269,200 litres and net profit for the year Rs.78.5 million as compared with Rs.81.2 million in 2016-2017.

The impressive sales and profit achievement is due to strong sales growth in the ship building and ship repair segment and supplies to the construction industry where the demand for protective coatings is highly robust.

As part of a diversification strategy Hempel brand marine paints and protective coatings are supplied to the telecommunication services sector, hydro-electric power plants, petroleum storage tanks, highway construction projects and for refurbishing irrigation infrastructure. This diversification strategy has helped grow sales in a highly competitive marine products market and future growth will largely depend on diversifying into other segments, where there is ample scope for expansion and by pursuing ship building and ship repair projects outside Sri Lanka in collaboration with Hempel Associates. In the year under review, the Hempel agency in Sri Lanka secured several orders to supply marine paints to customers outside Sri Lanka introduced by Hempel Associates.

Export Trading

The Company's commodity trading business is now confined to trading natural rubber (NR) and desiccated coconut (DC). Trading these commodities is currently severely constrained by a sharp decline in the availability of NR and DC. Also the global demand for these commodities has been weak as international prices have been much lower than the Sri Lanka prices. In the recent years the trend has been that 75% of NR output is being consumed by local rubber based product manufacturers for export and sale locally. The exportable surplus of NR has correspondingly diminished.

In the case of DC, demand for coconuts for domestic consumption is making fewer nuts available to the millers of DC resulting in lower quantities for export.

The Company's export trading business has been down sized to be compatible with the national output of NR and DC and the global demand for these commodities. In the past the export trading activities was the core business of the Company. This is no longer the position now. In the year under review, the export trading activities produced a net profit of Rs.26.2 million.

Natural Rubber (NR)

Rubber production grew by 5.1% from 79.1 million Kgs. in 2016 to 83.1 million Kgs. in 2017. This growth in rubber production was achieved amidst unfavourable weather conditions which resulted in severe floods in traditional rubber growing areas. A major reason for the low output of NR in recent years is the acquisition of mature high yielding rubber lands by the Government of Sri Lanka for urban development and industrialisation and the smallholder sector abandoning tapping due to recurring un-remunerative prices.

The total exports of all grades of rubber in 2017 was 17.2 million Kgs. The balance output of 66.0 million Kgs. was consumed by local rubber products manufacturers. It is reported that local rubber products manufacturers imported 145.0 million Kgs. for the manufacture of valued added products mostly due to lower prices quoted for imported raw materials. Sri Lanka's prices for thick pale crepe (TPC), ribbed smoked sheet (RSS) rubber grades and technically specified rubber (TSR) was higher than international prices. This resulted in local manufacturers of RSS and TSR operating factories under capacity.

The Company's exports and local sales to domestic rubber products manufacturers was 2,999 million Kgs. and realised a gross trading profit of Rs.56.1 million.

Global prices of NR improved towards the end of 2017 and the domestic market also experienced a similar trend in prices. This improved local prices of latex crepe and RSS No.1. The average price of latex crepe, the principal grade traded by the Company, was Rs.327.28 per Kg. This upward trend in prices is expected to continue well into 2018.

Desiccated Coconut (DC)

The total output of coconuts in 2017 is estimated at 2.45 billion nuts. It is also estimated that the domestic consumption of coconuts is about 1.9 billion nuts thus leaving only about 500 million nuts for processing into other coconut products. The amount of nuts available for manufacturing DC is estimated to be about 235 million nuts.

During the year under review coconut output is estimated to have dropped by about 18.7% due to poor weather conditions (drought) that prevailed in the coconut growing areas. This resulted in the average farm-gate price of a coconut going upto Rs.62/- per nut and sizeable quantities of other vegetable oils have been imported to supplement availability of coconut oil.

As a result of the sharp drop in the output of coconuts and even a sharper increase in the price of coconuts the average FOB price of DC in 2016-2017 was Rs.460/- per Kg (US$2,960 per MT) and at this level US$ 600-800 higher than other origins.

This significant disparity in price trends adversely impacted on Sri Lanka's capacity to generate more DC exports in 2017-2018 and total exports of DC was 29,400 MT.

The Company exported 1700 MT of DC during the year and realised a gross trading profit of Rs.21.9 million.

In the background of low availability of coconuts for processing coconut products, the Government of Sri Lanka allowed the import of coconut kernel to help manufacturers of products like coconut cream and coconut milk, but the sustainability of such an initiative would largely depend on the quality of the imported raw material.

Subsidiary Companies

Ceymac Rubber Company Limited

Low global prices of technically specified rubber (TSR) and high local prices for procuring raw material for TSR manufacture impacted adversely on the Company's capacity to secure business for its TSR.

The average price of TSR of other origins was about US$500-600 per MT lower than TSR of Sri Lanka origin 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 manufacturers of solid tyres.
The total sales of TSR for the year was 1,517 MT and produced a gross trading profit of Rs.14.9 million.

The Company also manufactures and exports sole crepe rubber (Sole Crepe). The exports of Sole Crepe for the year was 340 MT and realised a gross trading profit of Rs.11.7 million.

> "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 sound and stable relationship in all companies in the Group."

The cumulative gross trading profit from the sales of TSR and Sole Crepe was insufficient to absorb management and finance costs and resulted in a net loss for the year of Rs.18.1 million. A sum of Rs.2.4 million of Economic Service Charge (ESC) in respect of prior years could not be claimed because of the Company's recurring losses and was settled in 2017. This increased the cumulative net loss for the year to Rs.20.8 million.

Sourcing raw material at competitive prices to manufacture TSR has been a major constraint to secure local and export business.

A group of TSR manufacturers have collectively made representations to the Ministry of Plantation Industries to allow manufacturers to import raw materials duty free from other origins on the grounds that it is possible to import raw materials from other origins at prices lower than in Sri Lanka. This would enable manufacturers to produce TSR at a lower cost and improve their competitive position.

The proposal is under consideration and in the event the import of raw materials from other origins is allowed this would improve the competitiveness of locally manufactured TSR.

Ceytra (Private) Limited

The Company manufactures moulded rubber products for export and sale locally. Sales for the year was 261.0 MT and the net profit Rs.8.0 million.

The Company's capacity to manufacture moulded rubber products is limited and the prospects to expand its export trade is constrained by pricing factors. The Company is, therefore, concentrating on growing its business by penetrating the local market where there is considerable demand for locally made moulded rubber products in the household and automobile parts business. Since 2015, a major distributor and retailer of moulded rubber products in Sri Lanka is outsourcing a part of its production needs to the Company and this business has added considerable value to its operations.

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

Kelani Valley Canneries (Private) Limited (KVC)

The Company manufactures a wide range of food and beverage 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 F&B brands.

In the year under review, the product range has been rationalised in line with market needs and potential to yield profit. Also, the Company is undertaking custom packing for proprietary customers under a fee-based scheme where the customer supplies the raw materials and the Company manufactures the product for a fee. Both strategies are expected to boost revenue and generate profits.

The Company is also pursuing growth through exports, where there is considerable potential to expand the business. Small orders are being exported regularly to Canada, Australia, Japan, Dubai and Germany and several other potential markets have been identified.

Measures to enhance productivity, improve recipes in line with market requirements, strengthen sales and distribution by advertising and promotional support are being implemented in a structured manner and is expected to improve the Company's overall performance and restore profitability.

The Company has been making continuous losses for several years and the net loss for this year was Rs.29.8 million. In this background the auditors have recommended a provision for impairment of Rs.22.0 million which has been charged to the Parent Company's Statement of Profit or Loss and Other Comprehensive Income.

Finance

Bank borrowings is the principal source of funds for financing the Group's working capital requirements. The Group also utilises internally generated funds surplus to requirements for working capital and to that extent have been drawing less funds from banks.

The Group does not carry any major long-term debt and capital expenditure is financed out of the facilities available from the banks. The Parent Company incurred substantial capital costs in financing the joint venture with Co-Ro A/S, Denmark and the cost of implementing the SAP S/4 HANA computer system.

The financing cost for the year, net of foreign exchange gains, was Rs.96.8 million. During the year on an average the Sri Lanka Rupee depreciated against the US Dollar by 2.5% and against the Euro by 18.18%. This resulted in foreign exchange gains on exports but raised costs of imports which was countervailed to some extent by using export proceeds held in a resident foreign currency (RFC) account to pay for imports.

The interest rate on bank borrowings on an average was 12.3% 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 profits are liable to a tax of Rs.86.7 million.

The Parent Company has no carried forward tax losses, but subsidiary companies, Ceymac Rubber Company Limited has a carried forward tax loss of Rs.114.7 million, Ceytra (Private) Limited a carried forward tax loss of Rs.49.0 million and Kelani Valley Canneries Limited a carried forward tax loss of Rs.270 million.

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 sound and stable relationship in all companies in the Group. Only Ceytra (Private) Limited is unionised with a workforce of 35 workmen.

The Group's Human Resources function under a Group Human Resources Manager is being conducted efficiently with much focus on ensuring compliance with the labour regulatory frame work and in fostering a sound and stable relationship between Management and staff.

The implementation of Human Resource Information System (HRIS) is in progress. HR information relating to employee information, performance, management, time and attendance and leave management and payroll modules are in various stages of implementation. When the HRIS is fully operational all employee information will be easily accessible on the system and pre-formatted reports will be available to assist Management to make strategic decisions on employee related matters.

A major objective of the Group Human Relations 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.

Manning levels as at 31 March 2018 is given below:-

The US Dollar and other major currencies are likely to depreciate further mainly because of the widening trade deficit due to high oil prices, which will adversely impact on the cost of living and consumer purchasing power.

The reinstatement of GSP Plus facility has helped grow exports, particularly to European Union countries and the growth in exports seen during 2017 is likely to continue and will help narrow the trade deficit, currently a major burden on the balance of payments.

Interest rates, which have risen in 2017-2018, may rise above prevailing levels unless the current fiscal deficit is contained. Rising oil prices is likely to trigger a rise in inflation but still likely to remain at single digit level.

				Total	
Company	Managerial/ Executives	Non Executives	Manual Operatives	As at 31 March 2018	As at 31 March 2017
C. W. Mackie PLC	80	191	64	335	357
Ceymac Rubber Company Limited	7	24	86	117	122
Ceytra (Private) Limited	3	5	30	38	38
Kelani Valley Canneries Limited	11	18	35	64	65
Group Total	101	238	215	554	582

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 2018 in accordance with the provisions of the Companies Act No.7 of 2007.

Outlook

The economy is forecast to grow by 4.5% in 2018-2019. The balance of payments heavily burdened by foreign debt and repayment and debt servicing costs and a large trade deficit is likely to further deteriorate due to likely lower receipts from tourism and expatriate remittances, higher levels of import of capital and consumer goods and high oil prices. The position could further worsen depending on foreign fund infusions by way of foreign direct investment and a higher trade deficit as a result of rising oil prices, the largest single component of import expenditure.

To add to this is the prevailing political instability and policy uncertainties that are creating a very unpredictable and challenging environment for doing business.

The main driver of the Company's profitability has been the internal trading activities, with the FMCG category contributing most to profits. It may be difficult to maintain this trend under prevailing market conditions.

The joint venture with Co-Ro A/S, Denmark will add new Ready-to-Drink (RTD) products under the Sunquick brand which will be introduced to the Sri Lanka market possibly during Q1 of 2019.

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 the fact that 75% of the country's NR output is consumed by local rubber products manufacturers for local value addition and export, there is now less NR for export. The export of NR, at one time the core business of the Company, has diminished due to the lack of foreign demand, low output of NR and high prices as compared with global prices.

> "The joint venture with Co-Ro A/S, Denmark will add new Ready-to-Drink (RTD) products under the Sunquick brand which will be introduced to the Sri Lanka market possibly during Q1 of 2019."

The national output of coconuts significantly declined in 2017-2018 due to the drought conditions that prevailed in the coconut growing areas.

The crop for 2018-2019 is expected to improve because of the prevalence of more favourable weather conditions forecast for 2018-2019.

However, with the increasing domestic consumption of coconut, there will be less nuts available to the processors and in this background the DC industry, which is almost entirely an export industry, could expand only if the Government of Sri Lanka allow the import of fresh coconuts for processing DC for export.

The demand for TSR depends on local and international prices. Local tyre manufacturers find it more economical to import TSR rather than source locally manufactured TSR at higher prices. Import of TSR for local value addition is permitted duty free.

Locally manufactured TSR is more expensive because of the high prices of raw materials. Unless the Government of Sri Lanka allow local manufacturers to import raw materials duty free to manufacture TSR, it will be difficult for locally manufactured TSR to compete with imported TSR.

TSR manufacturers have made representations to the Government of Sri Lanka to allow the import of raw materials duty free to manufacture TSR. The proposal is under consideration by the Government of Sri Lanka.

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. The strategy is to expand this segment by collaborating with other manufacturers that are compelled to outsource due to cost or capacity constraints.

The domestic market is saturated with numerous brands of food & beverage (F&B) products and price competition is overwhelming. This is inhibiting expanding sales profitability.

However, there is considerable potential to export F&B products manufactured by Kelani Valley Canneries Limited. The strategy for expansion is by penetrating the export market and grow the business given that there are constraints in relying on the domestic market.

Acknowledgements

I acknowledge sincerely and with deep gratitude the guidance, direction and cooperation I received from my colleagues on the Board that has enabled me to conduct the Company's affairs in the best interest of all stakeholders. The expertise and wide experience of the Board, comprising of high caliber business leaders and professionals, has added 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 dedicated and diligent management team and to the staff at all levels, who have strived hard to produce a reasonably acceptable result under very challenging and competitive conditions.

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

The sustained confidence of our shareholders in our capacity to deliver a reasonable return on their investments is as always acknowledged with much appreciation.

W. T. Ellawala
Chairman/Chief Executive Officer

Colombo
24 May 2018

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 Limited. 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 Limited.

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 Limited, 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.) Limited (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 Limited 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. On 1 January 2017, upon appointment as the Group Managing Director of the Colombo Fort Land & Building PLC, he relinquished his duties as Managing Director of Lankem Ceylon PLC. 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.

Founder President of the Chartered Institute of Marketing U.K. (Sri Lanka Region). His contribution to marketing and retail in Asia was recognised by the Asia Retail Congress with the Retail Leadership Award and by the Chartered Institute of Marketing U.K. as a visionary Business Leader for his invaluable contribution to the marketing profession in initiating revolutionary changes in consumer markets.

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 19 years experience in branding, marketing and general management functions. 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 43 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 37 years of 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.

T. A. P. Silva

Chief Operating Officer - Consumer Products Manufacturing

`Taps' as Chief Operating Officer-Consumer Products Manufacturing overlooks the Company's Scan Bottling Plant and Kelani Valley Canneries Limited, subsidiary company. He has over 27 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 25 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 37 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 - Treasury

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 14 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 22 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 19 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 22 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.

Ms. R. Priyadarshani Gunasena

Company Secretary - Subsidiary Companies

Priyadarshani is the Company Secretary of the subsidiary companies and General Manager-Corporate Affairs of Ceylon Trading Company Limited. An Attorney-at- Law and Notary Public by profession. She joined the Company in 1994 as Legal Intern/Management Trainee and held several executive and managerial positions. She has over 24 years of experience in the fields of legal and company secretarial practices. She holds a Master's Degree in Business Administration (MBA) from the University of Colombo and has completed Parts I and II of the Chartered Institute of Management Accountants, UK.

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 34 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.

Ms. Chandima Welengoda

General Manager - Group Finance

Chandima joined the Company in 2012 as the Manager-Financial Reporting and has over 12 years of experience in the field of Audit, Finance and Banking. She holds a B.Sc. Accounting (Special Degree) from University of Sri Jayawardenepura, Associate Member of Institute of Chartered Accountants of Sri Lanka and a finalist of Chartered Institute of Management Accountants, UK. She has also completed Level I of the Chartered Financial Analyst Institute, USA.

P. Pavalachandran

General Manager - Group Financial Services

Pavalachandran is the General Manager-Financial Services of Internal Trading Division and subsidiary companies. He joined the Company in 2017. He has over 20 years of experience in the fields of Finance & Planning, Auditing and General Management. He is an Associate Member of the Institute of Chartered Accountants of Sri Lanka. He holds a Master's Degree in Business Administration (MBA) from the University of Wales, UK.

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 approximately 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 approximately 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 one of the 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.

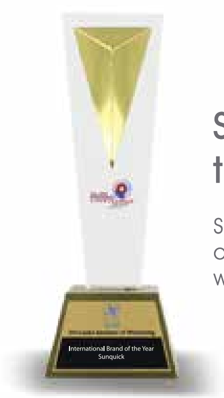
"Ocean Fresh" Tuna, another proprietary brand of C. W. Mackie PLC, comes from Thailand in 5 healthy and delicious varieties namely, Tuna Chucks in Sunflower Oil, Tuna Chunks in Soybean Oil, Tuna Chunks in Olive Oil, Fat Free Tuna and Tuna Spread. With the launch of "Ocean Fresh" brand to the Sri Lankan 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, corn flour, gelatine and icing sugar. Castor sugar 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.

Award

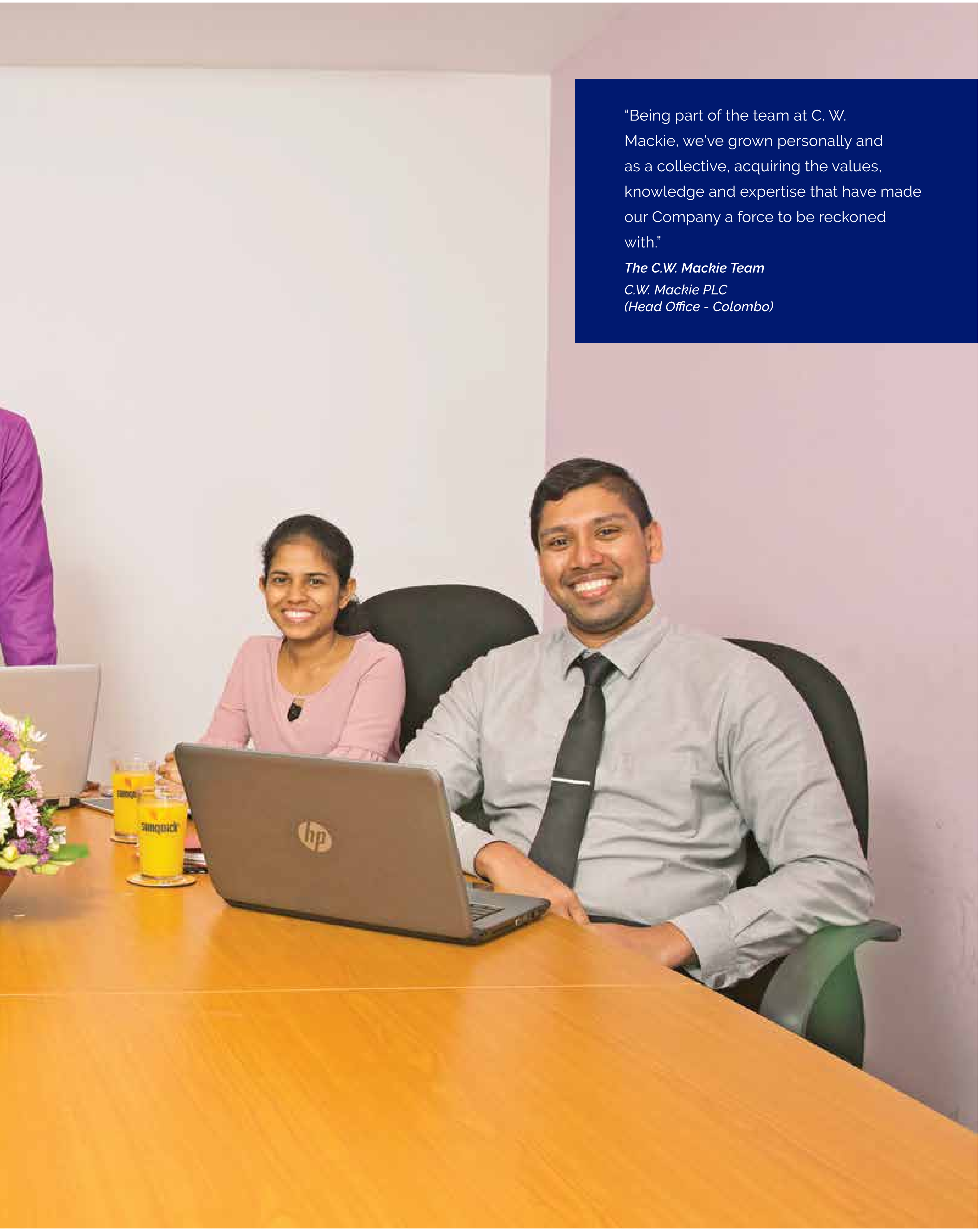


Sunquick feted with Gold once again at the SLIM Brand Excellence Awards 2017

Sunquick won the coveted 'International Brand of the Year' once again and we extend our heartfelt thanks to all our consumers, who made us No.1

STRENGTHEN

In the past year, our impressive portfolio has been further strengthened and expanded on, with the assistance of our talented team and state-of-the-art technology. This was a strategic decision taken on our part to further our expansion and create greater value for our stakeholders in the long term.



"Being part of the team at C. W. Mackie, we've grown personally and as a collective, acquiring the values, knowledge and expertise that have made our Company a force to be reckoned with."

The C.W. Mackie Team
C.W. Mackie PLC
(Head Office - Colombo)

Management Discussion and Analysis

Management Discussion and Analysis

"Sustained performance in a volatile year"

C.W. Mackie PLC posted a sustained performance in a year that could be characterised by economic and political instability, extreme weather conditions, rising raw material prices and the depreciating Rupee against the US Dollar, which created a volatile and competitive environment. Despite the turbulent conditions, however, the Group was successful in leveraging its competitive advantages, capitalising on growth drivers and pursuing operational efficiencies across-the-board, which had positive outcomes in terms of the profitability and performance of most Sectors.

The Company experienced a satisfactory top-line growth of 13.59% and nearly all Sectors posted profits. The Group achieved consolidated net revenue of Rs.9,973.6 million for the financial year 2017/2018, compared with Rs.8,837.4 million achieved in the previous year. Net profit for the year under review was Rs.219.8 million.

Business Overview

The Company's Internal Trading Sector recorded the best performance during the year, contributing 87.90% to total profits.

The Internal Trading Sector comprise FMCG, Marine Paints, Sugar Trading, Refrigeration and Air-conditioning components as well as Industrial Products. The FMCG and Paints Sectors made the highest contribution to growth of 49.15% and 30.30% respectively. The remaining Sectors made up the balance 20.55%. The Internal Trading Sector, the main contributor to growth, recorded Rs.7,505.1 million sales turnover from enhanced manufacturing, sales and distribution activities. This was an increase of 15.05%, when compared with the previous year's figure of Rs.6,523.2 million, which achieved a net profit of Rs.199.8 million.

Coconut, rubber and spice crops are sensitive to the vagaries of the weather and the Export Trading and Manufacturing Sectors suffered a substantially reduced performance during the year under review due to inclement weather conditions that prevailed most of the year. The severe price competition in international markets also reduced sales margins. The depreciation of the Rupee against the US Dollar and several European currencies, however, had a positive impact on exports and consequently, on the Company's bottom-line. The Rupee depreciated against the Euro by 13.49% and against the US Dollar by 2.5% during 2017.

Joint Venture

Following the joint venture agreement entered into with Co-Ro A/S, Denmark in February 2017, the manufacturing and processing activities of the Sunquick range of fruit squash concentrates are carried out by Sunquick Lanka (Private) Limited, in which the Company has an interest of 49%. The sales and distribution activities of these products are carried out by the Company from June 2017.

Global and Local Economic Framework

The global economy experienced a cyclical recovery during 2017, with substantial improvements in investment, manufacturing activity and trade. The upturn was broad-based, and came from favourable financing costs, rising profits and improved business sentiment across most world economies. IMF forecasts estimate that the world economy would grow by 3.7% during the year under review, the fastest pace since 2011 and a substantial improvement over the 2.7% growth in Gross Domestic Product (GDP) in 2016. A major portion of the acceleration in global GDP growth in 2017 was due to an increase in investment growth worldwide, which significantly boosted exports and imports across most economies.

Despite the substantially improved world growth outlook, however, the strong economic activity was not distributed evenly across countries and regions.

The volatile fuel prices raised headline inflation in advanced economies, but wage and core-price inflation remained weak as inflation remained below the 2% target. Although this raised disposable incomes and spending was low, the weak inflation is a cause for concern, since deflationary pressures could make it difficult to boost economic growth. Among emerging market economies, headline and core inflation increased slightly towards the end of the year after declining in early 2017.

The growth momentum of 2017 is projected to continue in 2018, which should bring with it renewed investor confidence and expanded trade. This would usher in a stronger global economy that creates a positive environment for business growth and more so, the growth of the private sector, which augurs well for the performance of manufacturing and trading companies like C. W. Mackie PLC.

Growth in the Sri Lankan economy, however, did not emulate global growth. Sri Lanka posted a GDP growth of 3.1% in 2017 against 4.4% in 2016. This is lower than the growth projected for the year, primarily due to adverse weather taking a toll on the agricultural sector. The Central Bank's tight monetary policy stance kept core inflation in control, but headline inflation was high.

The extreme weather that prevailed during most of the year destroyed agricultural crops as well as staples, and compelled the Government to import staple foods to meet the shortfall. This added pressure to the external accounts and raised commodity prices, which increased inflation, which hovered at a monthly average of approximately 7.7%. This increase in inflation saw a surge in food inflation as well and reached double digits with the highest figure of 14.4% reported in December 2017.

Purchasing power was also low during the year as a result of the rising inflation, increasing marginally by only 0.7%. This was insufficient to raise the demand for commodities, especially for non-essential food commodities. Market analysts confirm that the FMCG sector is de-growing on consumption alone and experienced a substantial decline in 2017.

The impact of taxation was yet another reason for constrictions in purchasing power. The impact of Income tax and VAT increases imposed in the previous year, were felt only in 2017. Per capita income during the year was US$ 4,050.

Traditional commodities like rubber and coconut were also affected by the inclement weather. Scarce supplies of these commodities, as well as commodities like spices, resulted in increased raw material prices which reduced quantities available for export. This escalated production costs and made the Company less competitive in the international market.

The year under review commenced with high interest rates, which gradually declined towards year-end due to deceleration of credit to the private sector, higher liquidity levels, moderate inflation and lower levels of government borrowings. Import expenditure, however, increased during the year due to the depreciation of the Rupee, which somewhat offset the positive impact of improving export earnings.

> "The Company leveraged technology to power progress this year by utilising state-of-the-art business software that has substantially improved business operations."

Strong export growth and a healthy tourism sector were other reasons for the improved external economic environment. External trade, which performed sluggishly during the past two years, rebounded during the current year to register double-digit growth as at October 2017. This was mainly due to the restoration of the GSP+ facility and the lifting of the ban on fisheries exports to the EU, which resulted in significantly expanded earnings from industrial exports.

A better macro outlook is anticipated in the coming years as foreign reserves strengthen and FDIs increase as a result of the Government's policy to increase foreign participation in the country's economic growth. This should ease interest rates and improve purchasing power which will, consequently, spur the demand for commodities, including non-essential foods.

The Government plans to reduce the country's ratio of debt to GDP to 70% by 2020 under the Medium Term Debt Management Strategy, to further increase investor confidence. Plans are also in the pipeline to strengthen Sri Lanka's 'growth framework' to promote private investments. These are all steps in the right direction to usher in growth and stability in the forthcoming year.

Three-year Road Map

The three-year plan introduced in the preceding financial year for the Company is now in place to enhance the profitability of all Sectors. The strategy identifies growth drivers, streamlines operations as well as explores new markets and new business opportunities.

Leveraging Technology

The Company leveraged technology to power progress this year by utilising state-of-the-art business software that has substantially improved business operations. The Human Resource Information System (HRIS) was launched during the year and all HR information and functions are now available online. Staff have a single point of access to personal and company information, depending on their level of seniority and job functions.

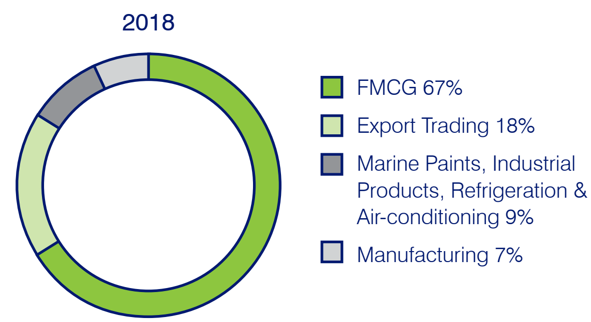
Technology advancement have created many opportunities to drive efficiency, business value and enhance the way people work. The SAP S/4 HANA suite of technology solutions have empowered our people with the right information at the right time and at the right speed for operational, tactical and strategic decision making irrespective of where they are and what device they carry.

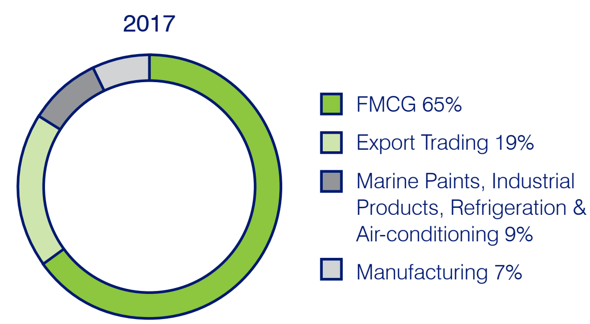
The recently implemented Enterprise Resource Planning System SAP is a fully-integrated system that ensures seamless connectivity between the Company's many business functions, namely procurement, finance, marketing, sales and manufacturing as well as with sub-modules of the business. Speed and accuracy of real-time information is the substantial advantage of the systems, which facilitate speedy management access to live data necessary for timely decision-making. This is vital for businesses like C.W. Mackie PLC that trade on a variety of platforms that require speedy access to historical information that could be analysed in any number of ways and used for forecasting purposes. An important e feature of SAP is the data verification screening process that validates the accuracy of information inputs.

The Sales Force Automation System enables sales personnel to access sales-related as well as personal performance data from their mobile devices even while on field. The system is cost effective because manual processes can be automated and speeded up for effective planning and implementation.

Sector Overview

The reportable Sector revenues for the financial year under review compared with the previous financial year are given below:





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

FMCG

Manufacturing

Marine Paints

Export Trading

Sugar Trading

Refrigeration and Air-Conditioning

Industrial Products

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

The brand portfolio of Scan Products Division comprise well reputed local and international brands. Beverages distributed include Sunquick fruit squashes, Kotagala Kahata Tea and Scan Bottled Drinking Water. Other products are Scan Jumbo Peanuts, 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 products range. Many of these products enjoy market leadership positions in their respective categories.

Performance

Despite the category de-growth in the food and beverage sector that prevailed during the year, Scan Products Division recorded a 12.98% revenue growth for the year under review. Sunquick, the principal brand in the Scan products portfolio, recorded a 10.6% volume de-growth which impacted significantly on the FMCG Sector bottom-line. The main reason for the de-growth of Sunquick was the depreciation of the Rupee against the Euro which resulted in higher cost of production and cost of sales. In these circumstances, the Company was compelled to increased its retail prices to mitigate this impact, which was the main reason for the drop in the sales volumes of Sunquick.

Results were achieved from the organic growth of certain products in terms of volume and price increases. The bottom-line did not grow, however, due to diminished purchasing power in the market that was caused by a number of macro-economic factors discussed in the Global and Local Framework above. These factors hiked raw material prices, which caused corresponding increases in the costs of production.

The Company also took a strategic decision in the previous financial year, to enter the Independent Supermarket (ISM) channel as a pilot project, in addition to the four other distribution channels pursued by the Company, namely, General Trade, Modern Trade, Food Services Sector and Wholesale distribution channels. The new channel brought significant results during the current financial year.

Another growth driver was the hotels, restaurants and catering (HORECA) Sector. New non-food additions, such as cling film and aluminium foil wrapping, also had a positive market response.

Scan Jumbo Peanuts, the pioneer brand in its category has since inception, maintained the category leadership in its Sector. During the current year, the brand recorded a 12.23% volume growth.

Scan Bottled Drinking Water is an ultra-premium purified drinking water among the best known bottled water brands in Sri Lanka and recorded a 15.86% volume growth.

New Products

The Sector added several new products to its product portfolio during the year. These included the BOPF tea bag range introduced as a line extension in the Company's Kotagala Kahata tea category. The range of canned fruits and vegetables under the brand name Forest Farm last year, was also expanded and enjoyed market popularity.

The new Delish brand range, besides jelly crystals, corn flour and icing sugar will extend its product range to include new additions like custard powder, pudding mixes. Caster sugar was introduced to commercial buyers.

The Scan Bottled Drinking Water segment has designed a glass water bottle to be launched in the hotel and supermarket sectors shortly to target the high-end customers. The product supports the Government policy to dissuade use of plastic bottles.

Capital Expenditure

Line modifications were carried out in the water bottling plant. Older machines were replaced with high-capacity machines.

People

The Sector has a structured plan for training and developing staff. The customised sales training programme, designed and carried out by the Sri Lanka Institute of Marketing (SLIM) will be continued to further the professional development of the sales force. The Diploma in Sales Programme was introduced in 2016 and provides participants with a professional qualification. It has been an effective strategy for retaining high achievers in sales and marketing, which is one of the most competitive professions in the modern business world.

Achievements

The Company's flagship brand, Sunquick, won the Gold award for the International Brand of the Year at the SLIM Brand Excellence Awards 2017. The brand has been the recipient of the award for four consecutive years and this is the second time of winning the Gold.

Future Strategy

The Sector will focus more on its proprietary brands and on growing its top-line further. The Company's well-structured multi-channel distribution network through its Scan Products Division will be re-aligned to make it more cost-effective to facilitate this growth. The Sector will follow a gross profit-driven approach in terms of regions and Sectors in which Area Managers and Sales Managers will be defined as profit centres and made accountable for achieving growth results.

Kelani Valley Canneries Limited (KVC)

Product Portfolio

KVC was established in 1968 to manufacture and export processed tropical fruits and vegetables. Its products portfolio ranges from sauces, jams, nectar, chutneys, treacle, fruit juices, fruit pulp to canned fruits and vegetables to pickles and sambols.

Performance

The drought that prevailed during the year resulted in poor harvests of seasonal fruits and vegetables. This created shortages that pushed up prices and correspondingly increased KVC's cost of production. To this was added strong competition in the local market. These factors negatively impacted the bottom-line and precluded the Company from achieving its budgeted sales target.

Although General Trade sales increased significantly, the contribution of direct export sales was not up to expected levels due to strong global competition, especially on the prices of fruits.

The devaluation of the Rupee increased the cost of production due to the rise in import prices of raw materials. The price of tomato paste, for instance, which is imported from China, increased, as did the prices of pineapple, garlic and ginger.

The processing and packaging business is a labour-intensive one and KVC has been compelled to bear the brunt of enhanced costs and scarcity of contract labour due to its proximity to the Seethawaka Industrial Estate.

KVC's main strategy this year was to expand General Trade and Direct Export Sales. A decision was taken to focus on 30 key products and strengthen the supply chain. Steps were taken to re-evaluate and reduce production cost by approximately 10% to 15% by re-arranging recipes without compromising on quality. Product quality was improved by using sensory evaluations to benchmark with competitor products.

A Committee was set up during the year to purchase raw materials at lower prices during seasonal periods. This was moderately successful and several tropical fruit varieties were purchased at lower prices, which reduced direct costs.

Capital Expenditure

Introduction of an automatic labelling machine improved the quality of pasted labels, increased the quantities pasted per day and reduced labour cost. Labels have been re-designed to make them more attractive.

Quality Standards

KVC was conferred with organic certification by the Control Union of The Netherlands, which fortifies KVC with added strength to sell its products under the 'organic' label.

KVC also received ISO 22000:2005 certification for its entire product range. Our manufacturing facilities have the GMP, HACCP, SLS and ISO 9001:2008 certification as well.

Future Strategy

Future strategies include plans to increase export sales, more effective management of stock holding costs and raw material procurement to reduce finance costs, as well as managing market returns to increase profitability.

FMCG

Manufacturing

Marine Paints

Export Trading

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Refrigeration and Air-Conditioning

Industrial Products

Ceymac Rubber Company Limited and Ceytra (Private) Limited are subsidiary companies of C. W. Mackie PLC and engage in the manufacture of primary and specialty rubber products and value-added rubber products for the local and export markets. Industries catered to include pharmaceutical, shoe, solid tyre, non-tyre, construction, transport and agriculture.

A decision was taken during the year under review to re-align both Companies under one management. This strategy was successful as the year saw noteworthy improvements in both Ceymac and Ceytra, in terms of performance, apportionment of overhead costs and effective utilisation of all levels of employees between the two companies.

Ceymac Rubber Company Limited (Ceymac)

Types of Rubber Produced

Primary

- Technically Specified Rubber (TSR)
- Plantation Sole Crepe

Speciality

- 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 high-end shoe industry

Sole crepe is a premium grade semi-finished product used to manufacture the soles of high-end chemical- free shoes and commands a premium price. The manufacturing process of sole crepe is prolonged and labour intensive. At present, approximately 1MT of sole crepe is being produced daily with plantation latex at a substantial labour cost when compared with the manufacturing process of TSR of which about 10MT a day is produced in a mechanised process that requires less labour hours.

Major Export Markets

India, Vietnam, South Africa, Japan, China, Europe and Canada.

Performance

The global decline in natural rubber prices affected Ceymac's ability to secure orders for TSR exports this year too, but this did not affect the Company's top-line because the TSR manufactured during the year was absorbed by the local solid tyre manufacturing industry. Local solid tyre manufacturers are BOI companies who import the bulk of their TSR raw material requirement at much lower prices. The quality of locally produced TSR supplied to them is on par with the imported product and complies with all international standards of manufacturing.

The scarcity of scrap rubber increased the prices of TSR and compelled Ceymac to operate at less than 40% of installed capacity. This scarcity was due to low production of Natural Rubber (NR) due to reduced extent of rubber plantation and low productivity coupled with unfavourable weather conditions. This situation adversely affected the performance of Ceymac.

As a control measure, Ceymac was successful in reducing losses during the year with measures taken to contain costs, improve manufacturing processes and adopt effective strategies on raw material procurement. Available resources were also utilised effectively, which helped improve performance.

To mitigate this situation, Ceymac and other TSR producers took the pioneering step of making representations to the Ministry of Plantations Industries for permission to import scrap rubber on a duty free basis. This imported scrap rubber could be converted into TSR to cater to the demands of BOI companies in the manufacture of solid tyres, at competitive prices. If approved, the move will benefit all TSR producers in the country and bring substantial savings in foreign exchange from the upgrade of scrap rubber to TSR.

People

The labour force consists mainly of permanent employees whose retention level with Ceymac is high. Contract labour is engaged on a need basis.

Labour efficiency was improved during the year by introducing continuous improvements in process lines and better utilisation of all levels of employees.

Capital Expenditure

Investment on machinery was made during the current financial year with a view to long-term benefits that ensure the factory operates at optimum capacity with minimal interruptions. Existing machinery was serviced and repaired and new machinery purchased to replace certain old machinery. These initiatives have substantially reduced machine breakdown time.

Quality Standards

The manufacturing process of Ceymac is ISO 9001 : 2008 certified and the state-of-the art effluent treatment and air pollution control system at its Narthupana factory in Horana, which complies with Central Environmental Authority Regulation, was upgraded during the year under review to further reduce adverse environment impacts.

Moreover, the gasifier used in drying process of TSR manufacturing operates the partial combustion technology using firewood which is free from gas emissions to the environment. This method of drying is cost effective and environmental friendly.

Future Strategies

The recent advent of more new tyre manufacturing companies to the market provides more opportunities for TSR, which Ceymac has already accessed.

Ceytra (Private) Limited (Ceytra)

Types of rubber produced

Moulded Rubber Products

Ceytra designs and manufacture for export, a wide range of high-quality value-added natural and synthetic rubber products for the agricultural, automobile and shipping industries to meet specific customer needs. For the local market, a range of rubber carpets and mats are manufactured for a leading supermarket chain, the Company has become the main supplier of these products to the local market.

Major Export Markets

France, Sweden and Japan

Performance

Ceytra has achieved a revenue of Rs.83 million during the year under review, compared with Rs.76 million during the previous financial year. Profit before tax for the year under review recorded Rs.9.0 million, compared with Rs.8.6 million in the previous financial year.

Several cost-saving measures were introduced to effect improvements. Technology was mainly applied to reduce production costs without compromising quality. The chemical composition of certain products was changed using Research and Development inputs to reduce the duration of cycles and modify processes. Production costs, however, increased, due to the increased cost of imported rubber chemicals, labour and shipping, although favourable exchange rates had a positive impact on business during the year, in particular, the depreciation of the Rupee against the Euro since France is the Ceytra's main export market.

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 recognises reclaimed forest-based materials that can be used as components in FSC-certified products and projects.

People

The labour force mainly comprises permanent employees whose retention level is satisfactory. They help maintain the high standards of quality demanded by the overseas customers of manufactured rubber products.

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 carries out research and development activities, headed by a qualified and experienced Rubber Technologist.

Future Strategies

The Management is exploring more opportunities for expanding the business to new local and international markets.

FMCG

Manufacturing

Marine Paints

Export Trading

Sugar Trading

Refrigeration and Air-Conditioning

Industrial Products

The Division has been selling and distributing marine paints and protective coatings under 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, gas and petroleum tanks, as well as to improve the durability of sluice gates of irrigation reservoirs.

Performance

The Division posted a steady performance in the year of review. Profit before tax was Rs.78.5 million from sales of Rs.376 million achieved from a volume of 269,541 litres.

During the year, a number of dry dockings were carried out in the Colombo Dockyard for both Hempel Associates orders and orders secured from local customers. Colombo Dockyard continued to place orders for new building vessels (Anchor handling tugs) as well as port cranes, which helped 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.

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.

The marine segment also provides services to other structures in the marine environment like port cranes, wind turbines, all storage tanks as well.

Protective Coating Segments

Protective Coating Segment of Hempel has years of experience in anti-corrosive coatings for almost any type of steel structure, which reduces maintenance costs and shut down periods when used regularly.

Several orders for Ceylon Electricity Board-approved projects were also completed during the year, in addition to product sales for factories, hydropower projects, coal power plants, a gas storage terminal, as well as for the iconic Colombo Lotus Tower.

Hempadur Avantguard Zinc rich Primer which has higher resistance against corrosion was a new product range introduced in the current financial year.

Container Coating Segment

The Hempel brand is one of the few products recognised by international container lines as being a quality paint for protecting their containers. About 70% of the paint requirements of container yards in Sri Lanka are supplied by the Division.

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.

Strategies

New markets for additional product lines are being explored. The Division is planning to expand its product range based on customer needs in the local market. Meanwhile, the Division will continue to provide high quality paint solutions coupled with the technical advice, supervision and timely product delivery that has ensured customer satisfaction over the years.

FMCG

Manufacturing

Marine Paints

Export Trading

Sugar Trading

Refrigeration and Air-Conditioning

Industrial Products

The C.W. Mackie Group has been involved since 1900 in its core activity of exporting natural rubber, coconut products and Sri Lankan spices.

Product Portfolio

Primary Rubber Products
All grades of natural rubber (NR), white and coloured sole crepe rubber, technically specified rubber (TSR), ribbed smoked sheet rubber (RSS)

Specialty Rubber Products
NR such as granulated crepe rubber and ZOX crepe rubber

Export Industries supplied
Local rubber-based product manufacturers such as solid tyres, house hold rubber goods, footwear industry

Coconut Products
Desiccated coconut in fine, medium, flakes and toasted grades. Low- fat coconut products and value- added coconut products.

Spices
Cinnamon, cloves and black pepper.

Performance
Crepe Rubber and Desiccated coconut achieved their budgeted targets in value terms, posting gross profits of 101% and 79% respectively, during the year. This was despite the strong competition in world markets due to substantial price differentials.

Since inroads into new markets were challenging because of the shortage of material, the Company traded in traditional markets during the year. New marketing strategies and new products are being pursued to circumvent this situation.

Rubber
The extraordinarily high rainfall in rubber growing areas limited the rubber crop and reduced the quantities available for export. Fluctuations in the quantitites available in the local market increased rubber prices, which restricted trading activities.

Coconut
The prolonged drought that affected the coconut triangle since mid-2017, caused a sharp drop of approximately 18.7% in the quantity of coconuts produced during the year. This shortfall amounted to about 560 million nuts and reduced the quantities available for export.

Spices
The pepper market was uncertain due to unscrupulous competitor activity in the local market. The situation was exacerbated by India, the main buyer of Sri Lanka pepper under the Indo-Sri Lanka Free Trade Agreement (ISFTA), imposing an annual ceiling of 2500 MT on pepper exports. These market movements adversely impacted exports.

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

About 20% 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 80% is sold in the Sri Lankan market to local footwear manufacturers and other rubber-based industries.
The Export Trading Division continues to explore new avenues of business that will keep the Sector 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 being addressed adequately.

People
Production of traditional commodities is a labour-intensive activity. The Division has had a high rate of employee retention over the years due to positive relationships with the workers.

Future Strategies
Diversifying to exporting value added products is under consideration to increase the profitability of the Export Trading Division.

FMCG

Manufacturing

Marine Paints

Export Trading

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Refrigeration and Air-Conditioning

Industrial Products

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 and caster sugar to industrial users.

Performance

Performance of the sugar industry was unstable during the year as a result of several macro and micro-economic factors. Depreciation of the Rupee against the US Dollar increased landed costs and the increase in cess imposed twice by the Government also affected the Company's bottom-line. As a result, the Company was unable to take advantage of the reduced sugar prices in the global market and to pass the price reduction to the consumer.

In November 2017, the Government increased cess on sugar imports to Rs.31 per kg. The Government also changed the policy regime by introducing a special tax on the beverage industry based on the sugar content, to dissuade excessive sugar consumption in the country. The Company was compelled to shoulder a component of the increased tax to cushion its effect on buyers and this constricted profit margins. As a result of this change in policy, the volumes of sugar sales reduced as manufacturers changed to sugar substitutes.

The Sector pursued a strategy to increase volumes and maximise the bottom-line during the year. A pioneering strategy to function as a logistics provider for sugar importers was also embarked upon, which is yielding favourable results.

Categories of Imports

Three categories of sugar were imported during the year - refined sugar from Thailand and Malaysia, non-refined sugar from Brazil and India and super-refined sugar from Thailand and Malaysia.

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.

FMCG

Manufacturing

Marine Paints

Export Trading

Sugar Trading

Refrigeration and Air-Conditioning

Industrial Products

C. W. Mackie PLC's Refrigeration and Air-conditioning Division (R&AC) engages in import, sale/distribution of world renowned brands of R&AC equipment, components, accessories and refrigerant gases.

Product Portfolio

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

Agencies/Distributorships

Authorised 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
- ICOOL-China : Refrigerant gases and copper tubes

Maintenance and Services

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

The mini assembly plant at the workshop premises assembles and produces tailor made refrigerator condensing units.

Performance

The strategic decision taken two years ago to segregate the R&AC Division from the Industrial Products Division paid rich dividends, both literally and figuratively. The Division posted substantial growth during the current financial year, recording an increase in turnover of over 70% year-over-year and a consequent increase in profits of nearly 40% over the previous year.

Far-thinking pricing and distribution initiatives have established the Company as a significant presence in the market. Continued improvements to practices and processes introduced during the year were successful in establishing the Company as a provider of total solutions for the air-conditioning industry, equipped with the necessary know-how to meet customised requirements.

The Company was also successful in utilising its many advantages, which include its long-standing reputation to make new market ventures profitable. New market opportunities accessed included entry into the burgeoning supermarket sector, as well as the expanding dairy sector which was responding to Government efforts to promote fresh milk. These sectors required chilling facilities to meet their growing needs, which the Division was well able to supply.

Diversification within the Sector introduced several component to the R&AC business. One of the key new initiatives pursued during the year was entry into the copper tubes business, which proved lucrative. In a short span of time, the Company grew to become one of the island's largest copper tubes suppliers for the air-conditioning business. An agreement, based on the indenting model, was reached with a copper tubes supplier, which provided the Company with considerable price advantages that were passed on to the consumer, which spurred demand.

Other diversifications within the category were the supply of cool room fabrication products and condensing units. The latter product recorded a healthy bottom-line. The Company also entered into the business of supplying refrigerant gases and became the largest and the leading player in the supply of refrigerant gases in the country, enjoying a market share of over 40%.

People

More investment was made in human capital as well, which brought on board a qualified and experienced technical team with industry experience who added substantial value to the business.

Training given to the R&AC Technical Team at Danfoss Industries (Pvt) Ltd, India provides solutions to R&AC maintenance and repair services.

Future Strategy

To further its aim of providing total solutions for the industrial R&AC business, the Company is pursuing the supply of insulation for the copper tubes business to provide a product that will be sold to local consumers.

FMCG

Manufacturing

Marine Paints

Export Trading

Sugar Trading

Refrigeration and Air-Conditioning

Industrial Products

The Industrial Products Division was established in the 1980s to cater to local market needs, 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.

The Division is the authorised importer and distributor and provides aftersales services for a number of brand names of world repute that include Chosun (Korea), EWAC Alloys (India), TELWIN (Italy) and MOSA (Italy).

Product Portfolio

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

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.

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

Performance

The Sector posted a sluggish performance during the year due to a range of macro-economic factors that prevented the construction industry from performing at anticipated levels. The Government's policy on industrial mining which imposed restrictions based on environment concerns posed an additional challenge to the industry.

As a result, the Sector experienced a series of setbacks during the current financial year. Management of the Sector was restructured and the sales and distribution will soon be reorganised to improve profitability.

A strategic decision was also taken to move out of heavy machinery imports due to low profit margins, and focus instead on general- purpose welding consumables. A reputed brand in welding electrodes was introduced during the year to give the Company a competitive advantage in the multipurpose welding consumer market.

People

The Technical Services team was trained during the year at Ewac Alloys, India, a leading manufacturer for Eutectic preventive maintenance welding products, to provide total solutions to maintenance and repairs in the welding industry.

Future Strategy

Future strategies include identifying untapped market segments to increase penetration and source opportunities for expansion.

HARNESS

Our employees envision a future that will see C. W. Mackie PLC's productivity and growth abound with every passing year. The HR initiatives, training, academic and welfare programmes and exclusive sports and recreational activities we provide for them are crucial to uphold their morale and harness their fullest potential as they form the backbone of our success.

"Working for a longstanding, reputed company like Ceymac has transformed my life for the better."

Weerasinghe Nandawathie Silva
Ceymac Rubber Company Limited
(Sole Crepe Section – Narthupana)

Annual Report of the Board of Directors

For the financial year ended 31 March 2018

The Board of Directors has 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 2018 and the auditor's report on the Consolidated Financial Statements.

Principal Activities

The principal activities of the Company and each of its subsidiary and associate companies are described on page 88.

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

The Company 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 the 'Sunquick' brand.

For purposes of the joint venture, limited liability companies named 'Sunquick Lanka (Private) Limited' (Company 49% ; Co-Ro 51%) and 'Sunquick Lanka Properties (Private) Limited' (Company 51% ; Co-Ro 49%) have been established on 3 May and 2 May 2017 respectively. Further details are provided in the Chairman/CEO's Review on page 14 of this Annual Report.

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 2018 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.

The float adjusted market capitalisation of the Company as at 31 March 2018 is Rs.193,269,342 and the public holding percentage is 11.05% represented by 1,982 shareholders.

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 137 and 138 and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on page 9.

The twenty largest shareholders of the Company and details of public holding as at 31 March 2018 are indicated on page 138.

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 2018. The significant accounting policies adopted in the preparation of the Financial Statements are given in Note 3.

Financial Results

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

Year ended 31 March	2018 Rs. 000's	2017 Rs. 000's
Revenue	9,973,563	8,837,350
Results from operating activities	423,926	416,439
Net financing costs	(96,728)	(67,371)
Share of Joint Venture's loss	(20,697)	-
Profit before taxation	306,501	349,068
Income tax expense	(86,685)	(111,937)
Profit for the year	219,816	237,131
Non-controlling interests	(1,252)	(654)
Profit attributable to equity holders	218,564	236,477

The Financial Statements of the Company and Group are set out on pages 82 to 134 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 2018 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 2018 amounted to Rs.1,704.7 million (2017 - Rs.1,631.7 million). The movement of the reserves is given on page 84 under Statement of Changes in Equity and in Notes 20 and 21 to the Financial Statements.

Group Revenue

Group revenue was Rs.9,973.6 million during the year under review (2017 - Rs.8,837.4 million).

Donations

The Directors have approved and made donations of Rs.298,805/- (2017 - Rs.316,303/-) 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 27 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.121.2 million (2017 - Rs.262.4 million).

Borrowings

Group total borrowing was Rs.1,394.3 million as at 31 March 2018 (2017 - Rs.1,012 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 eleven (11) years of continuous 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. Alagarajah Rajaratnam 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 17 May 2018 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 139 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 has 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 2018	Shareholding as at 1 April 2017
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 58.

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 59 to 61.

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 Note 12 to the Financial Statements on pages 102 to 106.

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 69 and 70.

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 71.

Audit Committee

The composition of the Audit Committee and their Report is given on page 73.

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 audited Financial Statements for the year ended 31 March 2018 (Note 31).

The composition of the Related Party Transaction Review Committee and their Report is given on page 72.

Auditors

The Auditor's Report on the Financial Statements for the year under review is given on pages 77 to 81.

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 authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Audit fees for the year amounted to Rs.2.6 million (2017 - Rs.2.175 million) for the Company and Rs.4.070 million (2017 - Rs.3.485 million) for the Group, respectively. There were no fees for non-audit related work for the Company for the year (2017 - Rs.0.828 million). Fees for non-audit related work for the Group was Rs.0.138 million (2017 - Rs.0.138 million) for the Group.

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
24 May 2018

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 authorised 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 77 to 81 of this Annual Report.

The Directors are Responsible

- for the preparation of the Annual Report and 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 the 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 discharged 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
24 May 2018

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 and related parties held 88.95% 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 five (5) occasions, the individual attendance by members is given below:

Name of Director	Board Meetings Attended (1 April 2017 to 31 March 2018)
Mr. W. T. Ellawala	5/5
Ms. C. R. Ranasinghe	5/5
Deshabandu A. M. de S. Jayaratne	4/5
Mr. R. C. Peries	4/5
Mr. Anushman Rajaratnam	4/5
Mr. S. D. R. Arudpragasam	5/5
Dr. T. Senthilverl	2/5
Mr. H. D. S. Amarasuriya	4/5
Mr. K. T. A. Mangala Perera	5/5
Mr. Alagarajah Rajaratnam	Nil

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.

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 126.

Remuneration Committee

The composition of the Remuneration Committee and their Report is given on page 71 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 Advisors 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 pages 77 to 81.

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 authorised 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 58.

Audit Committee

The composition of the Audit Committee and their Report is given on page 73 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 72 of this Annual Report.

Annual Report of the Board of Directors

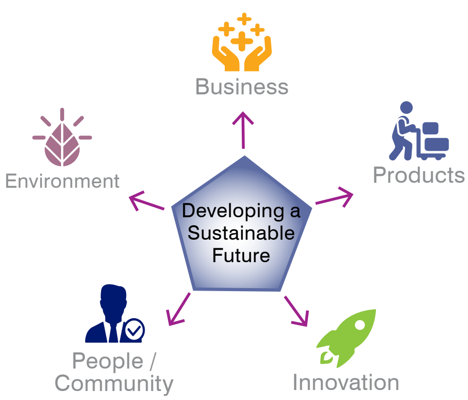
The Annual Report of the Board of Directors on the Affairs of the Company for the year under review is given on pages 54 to 57 of this Annual Report.

Sustainability Report

C. W. Mackie PLC considers its Corporate Social Responsibility (CSR) Policies and practices as a core and inseparable component of its ongoing business activities to generate profits.

As a forward-thinking organisation, the Group realises the importance of going beyond its reputation for producing superior products and delivering exceptional service to its customers and other stakeholders, to meet the needs of communities and mitigate its impact on the environment. As a responsible steward, the Group channels a portion of its profits to protect the planet and enhance the lives of people.

The Group understands that introducing sustainable practices in its business promotes greater engagement among stakeholders. Following ethical practices in all areas of business, motivates employees to work harder and remain with the Group and encourages discerning customers to choose the Company's products over the products of its competitors. A sustainability focus also inspires investors to commit to a long-term relationship with the Group. A number of studies confirm that organisations that have a genuine commitment to CSR substantially outperform those that do not.



Blueprint for Sustainability

The Group incorporates sustainable business practices to benefit both the communities and environment so as to gain a competitive edge by way of enhancing its reputation as an ethical corporate citizen, which assures long-term business success.

The Company's model for corporate sustainability leadership offers an aspirational, but attainable, strategy that generates maximum value for all stakeholders by:

a) Pursuing actions that address social disparities
b) Establishing practices that do the least harm to the environment

A summary of the Group's CSR initiatives during the current financial year follow:

Promoting Community Health

In its commitment to enhancing the quality of the lives of communities in which its lives and works, three main areas pursued focus on uplifting the health, well being and spirituality of these communities.

Providing communities with costly much-needed medical care that may be beyond their straitened circumstances has been a key focus area.

A community service project "*Manusath Derana*" was organised in partnership with Derana TV in Anuradhapura. This was a medical camp held to identify kidney disease at its early stages, since early detection could enable complete recovery. The medical camp identified potential sufferers of kidney disease through a process of scans and other procedures and directed them to the most appropriate hospital for treatment. This programme had a high participation.

The North Central province has a high incidence of kidney disease and Anuradhapura has one of the highest incidences of the disease in the country.

The Company continued with its flagship project of *maintaining Ward 32 of the Colombo National Hospital* (CNH) this year too. A five-year agreement was signed with the CNH for this purpose and this is the second year of the Company's involvement. Ward 32 is a surgical ward that accommodates 75 beds and has been completely refurbished by the Company with new and upgraded facilities.

Maintenance of the *hospital ward at the Horana Base Hospital* also continued in the year. This is a long-term initiative that has been carried out for about a decade and is welcomed by patients and hospital authorities.

Supporting the National Game

The Company believes in the importance of sports in creating and establishing a strong sense of national identity, because sports draws people together in a spirit of unity and community that transcends barriers of race, religion and caste. Accordingly, support of the country's national game, volleyball, was continued this year too. The Company is the *main sponsor of the Mercantile Volleyball Tournament* held annually and presents the coveted championship Sunquick Trophy to the winning team.

Uplifting the Spiritual Lives of Communities

A project that looks into the facilities of old temples identified the *need of Rajamaha Viharas for dolos maha pahan* (lamps). Two dolos maha pahan were presented to the temples in Pannipitiya and Kottawa during the year.

The *Kotagala Kahata Dansela* was held at Sri Pada (Adams Peak) during the peak season for climbing the sacred mountain and was well received by the devotees.

Reducing Environment Impacts

Waste Management

The Group is deeply conscious of the impact of its operations on the environment and realises the environmental, economic and health consequences of the waste material generated. With this in mind, ways and means of reducing waste from its factories and offices are explored, while identifying opportunities for using resources more efficiently. This has had a positive impact on the Group in terms of reduced costs as well.

The Group ensures its factories are compliant with all regulations stipulated by local authorities, including the Central Environmental Authority. Manufacturing processes are continuously evaluated to ensure that they do not have an adverse effect on the environment nor on the people living in their vicinities. Chemicals and other hazardous components are stored in sealed warehouses that provide access to authorised personnel only.

Subsidiary, Ceymac Rubber Company Limited, has over the years, introduced and upgraded extensive effluent treatment initiatives at its factory in Narthupana, Horana to mitigate the adverse environmental impacts of its rubber production.

Industrial waste water generated from the factory's production of Technically Specified Rubber (TSR) is diverted to an effluent treatment system and treated. This treated water is then discharged into a pond that supports the natural ecosystem 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 requirements. The scrubber air pollution system that controls air pollution was also repaired and modified to improve its effectiveness. The entire effluent treatment plant was upgraded during the year.

The Ceymac factory holds the Environmental Protection License issued by the Central Environmental Authority.

The Group actively promotes waste management and recycling in its offices as well. Its sustainable materials strategy focuses on increasing the use of recycled and renewable materials and reducing or eliminating undesirable materials.

One of the main consumables is paper, and conscious efforts were made during the year to reduce the amount of paper used. Staff are advised to use both sides of a sheet of paper when printing, and to print documents only when absolutely necessary. Paper management is carried out according to the 3R concept of reduce-reuse-recycle and used papers are given for recycling by third parties.

Plans for a Sustainable Future

The Company will continue to explore new ways in which to reduce its environmental footprint and raise the living standards of communities. These will be innovative methods that create value for all stakeholders. More initiatives that reduce factory effluents will be pursued and more awareness of the importance of sustainable business practices will be created among staff.

A goal for the future is to work towards attaining the stringent standards necessary for obtaining the National Green Award presented by the Central Environmental Authority. This premier environmental award recognises organisations that introduce sustainable and innovative green initiatives.

Human
Capital

Overview

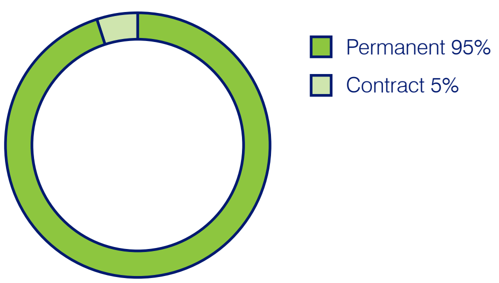
Talent is recognised as being one of the key drivers of innovation, growth and the ability of a business to stay competitive. In view of this, Company expends considerable resources to build the best talent strategy that places the most effective people in the right jobs.

Today, the Group has on board a competent team of professional and skilled employees who has driven the Group to new heights of excellence. A range of benefits and incentives have been introduced to ensure their job satisfaction, personal and professional development as well as recognise their achievements. This, in turn, has benefitted the Group in terms of enhanced employee productivity and their long-term commitment to the Group.

Staff Profile

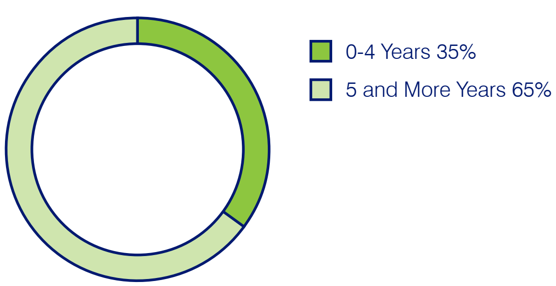
The Group has a total staff strength of 554 employees in the parent company and its subsidiaries, of which 101 are in the Executive cadre and 453 are Non-Executives.

Employment Type Analysis



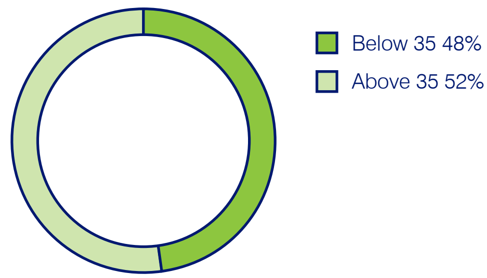
Approximately 95% of staff are permanent and only a small proportion are on contract.

Employee Service Analysis



The Company is proud of its retention ratios, which are well above industry standards, more than 65% of staff have completed five (5) years of service.

Employee Age Analysis



The Company has a healthy mix of mature, experienced staff of over 35 years of age, as well as younger staff below 35 years, who are well equipped with modern technological development.

The Group follows the best human capital practices on staff engagement, employee relations and people development to achieve sustainable business performance.

Recruitment

The Group Human Resources Division oversees the selection process which is structured to match the candidate's qualifications and skills with the requirements of the position. Recruitments are totally based on merit and a transparent non-discriminatory recruitment policy is maintained at all times.

New recruits are inducted on multiple aspects of the Group, which include policies and procedures, compliance, divisional procedures and products.

Equal opportunity

The Company is an equal opportunity employer and looks on diversity and inclusiveness as being a vital strategy for driving creativity and innovation in the workplace. The Company accepts diverse perspectives, believing that every employee is important and that individual differences enhance the work atmosphere. Every employee is provided with the same opportunities as his colleague, for promotion, compensation, benefits and training and women are encouraged to join the Group.

Training and Development

Developing its talent is central to the Group's strategy of expanding resources to meet the dynamic and evolving needs of customers and other stakeholders. Studies show that talent development also influences the provision of excellent customer service, motivates staff, reduces absenteeism and employee turnover, as well as considerably increases productivity and efficiency.

Staffs at all levels of the Group are provided with training opportunities to both upgrade their skills and develop them personally, which are geared to ensuring that they benchmark the best talent in the industry.

Custom-made programmes scientifically designed for each category of staff fill identified competency gaps and upgrade their knowledge and skills aligned to departmental and organisational objectives.

The Scan Products Division's Diploma in Professional Selling, organised in partnership with the Sri Lanka Institute of Marketing (SLIM), is a case in point. This is a professional one-year course that has been designed to meet the requirements of the Sales and Marketing team and is part of the retention strategy for top performing employees. This year, 18 top performers from among the sales teams were rewarded with the opportunity to follow this training and obtain the professional qualification that equips them to hold their place with the best in the industry.

Performance Management

The Group has a transparent and structured performance management process aligned to business objectives that is designed to create a high-performance culture.

The performance management system (PMS) enables the Group to evaluate and measure employee performance and provides a number of benefits for both the employees as well as the organisation. For the business, it helps optimise productivity by aligning the employee's job functions and activities with strategic objectives. For the employee it discloses the strengths and weaknesses of his/her performance and identifies areas for personal growth and progress, which facilitate training that ultimately supports career planning and a productive future.

The Group has a 180-degree performance evaluation system of which 60% is based on Key Performance Indicators (KPI's) and the balance 40% on competencies. Performance evaluation is conducted annually with one-on-one discussions between the employee and his/her supervisor. The entire process will gradually be moved to the Human Resource Information System (HRIS) live module.

Employee Recognition System

The Group has in place a system of rewards and recognition for good performance that is designed to make employees feel valued and appreciated. This promotes a strong performance-based culture within the organisation.

Rewards are based on merit and consider the information obtained from the performance evaluation of the employee and other contributions made towards the organisational success.

Performance of the sales team was recognised at an Annual Sales Conference held at Club Palm Bay, Marawila. Top performers were rewarded with overseas pleasure trips, substantial cash rewards and certificates. The event was also graced by the President of SLIM.

Human Resource Information System (HRIS)

This project, on an initiative of the ultimate parent company The Colombo Fort Land and Building PLC, planned over the past several years, was launched during the current financial year and is a highlight of the achievements of the Group Human Resources Division. This is a globally recognised and sophisticated system that integrates all companies with the parent company and provides the entire spectrum of human resources services. Since it is cloud-based, no valuable company hours are lost in downtime.

The system enables real-time information that can be accessed according to the different levels of responsibility within the organisation. All employee information is now online, which enables the Management to utilise this information for speedy decision-making. Staff have virtual access to details of their performance, leave balance and attendance. Processes like leave applications can also be completed online. Additionally, there is a module that connects all staff with their colleagues in all clusters of the other companies within the Group. This access promotes connectivity, builds team spirit and reduces the gap between the Management and staff at all levels.

hSenidBiz
IT'S ALL ABOUT PEOPLE

The HRIS will integrate with the SAP system of the Finance Division in order to promote a fully integrated IT network within the Group.

Child Labour

Child labour is strictly prohibited throughout the Group, in both the offices as well as factories. This extends to manual and semi-skilled work. The Group's minimum age of recruitment has been maintained at 18 years from inception.

Industrial Relations

The policies and procedures established, maintain harmonious relationships between the Management and staff. The Group is committed to upholding and improving relationships with its workforce, which includes their right to be treated with dignity, respect and fair play. The Group's approach to industrial relations is a top-down one and workers are engaged in open dialogue.

The Company and several subsidiaries are members of the Employer's Federation of Ceylon (EFC) and strictly complies with all applicable statutory laws, regulations, statutory obligations, awards, agreements and guidelines.

Promoting the Work-Life balance

The Group believes that it is essential for employees to maintain a healthy balance between their work functions and demands and their personal responsibilities and family life.

The Sports Club was re-energised to promote recreation as well as enhance fellowship and team spirit among the staff of the entire Group and a number of activities were pursued during the year.

Human Capital (Contd.)

The annual Sports Day was celebrated at the Bloomfield Grounds at which several sports activities were organised. Staff participated with enthusiasm and friendly rivalry and a good time was had by all.

The Sports Club organised a team to participate in the Badminton Tournament of the Mercantile Badminton Association. Six players from the Company participated in the Singles and Doubles categories of Novices Tournament in March 2018.

The Company has also participated in the tournaments of the Mercantile Cricket Association (MCA) for over 25 years and has been playing in the E division tournament of the MCA in recent years.

Recreational Activities

The annual members' day of the "CWM Sports Club" provided another opportunity for staff to gather together. The members spent a memorable day at the Navy Club House Hotel in Uswetakeiyawa on 23 September 2017, playing team games and spent a memorable day.

Future Plans

The Group Human Resources Division is gearing human resources activities to meet the challenges of the dynamic and evolving work force of the future. The HRIS is a first step in this direction.

The Division is also committed to further strengthening existing talent. A structured plan is being designed to equip staff who are provided with more responsibilities in their work roles, with the required training in skills and qualifications to enhance their on-the-job performance.

The Group Human Resources Division will move into the next level of the HRIS by providing 'live' employee information based on "HR Analytics" to facilitate effective Management decisions that are essential to meet contemporary business challenges.

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 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

24 May 2018

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 2018.

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

24 May 2018

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 Chief Financial Officer (up to 19 September 2017) and General Manager-Group Finance/ General Manager-Group Financial Services 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 2018 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 organisational 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 2019 at a remuneration to be determined by the Board, subject to the approval of the Shareholders at the Annual General Meeting.

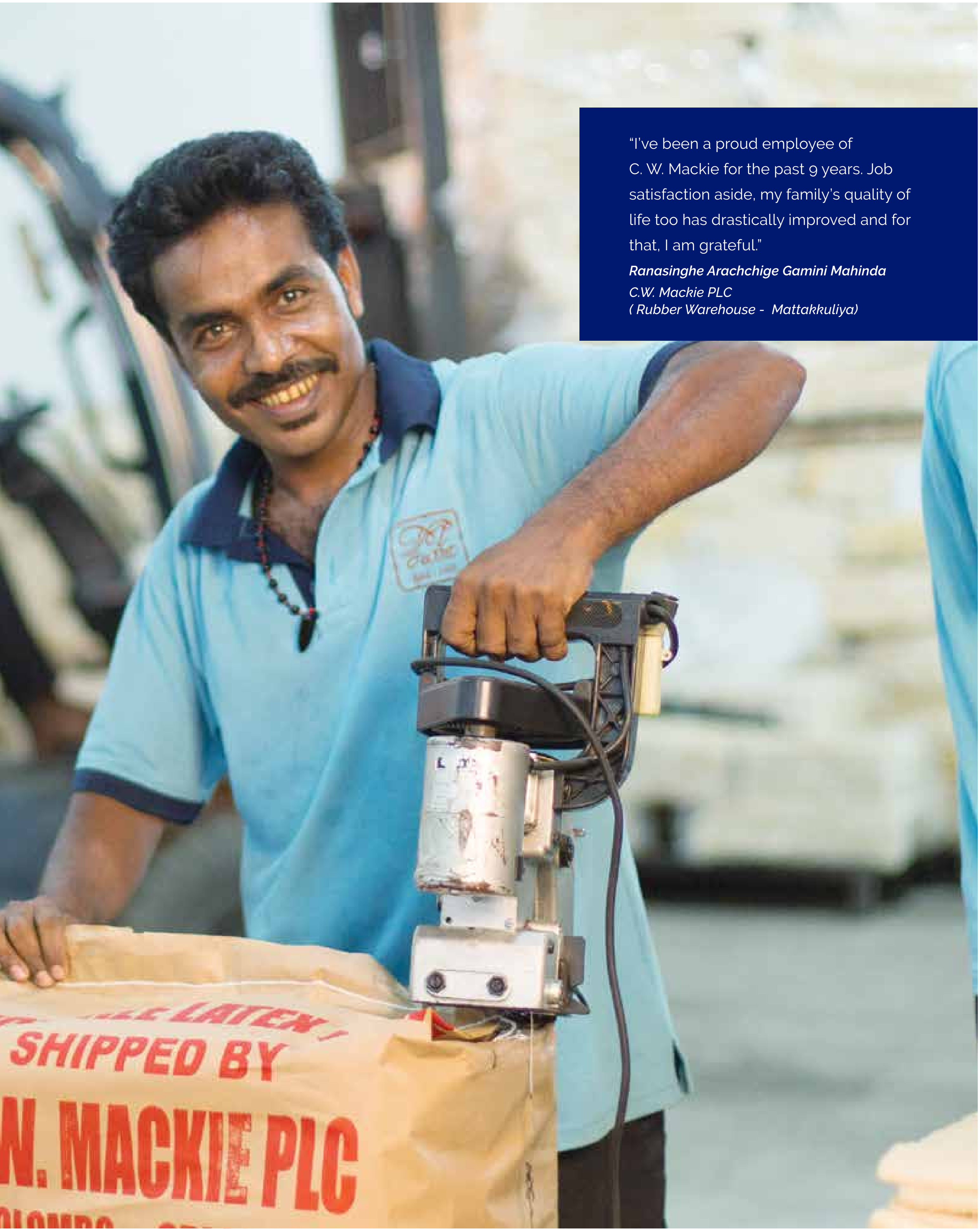
A. M. de S. Jayaratne
Chairman

Board of Directors Audit Committee

24 May 2018

STABILITY

Our stability is a testament of our employees' admirable work ethic and motivation to excel. It is with great pride that we acknowledge their unwavering loyalty and trust in us. They are undoubtedly our greatest asset and the key drivers of our growth and profitability.



"I've been a proud employee of C. W. Mackie for the past 9 years. Job satisfaction aside, my family's quality of life too has drastically improved and for that, I am grateful."

Ranasinghe Arachchige Gamini Mahinda
C.W. Mackie PLC
(Rubber Warehouse - Mattakkuliya)

Financial
Statements

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 82 to 134.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Revenue Recognition	
Refer to the accounting policies in "Note 3.15.1 to the Financial Statements: Revenue – sale of goods", "Note 5 to the Financial Statements: Revenue"	
The key audit matter	**Our responses**
There is a risk concerning inappropriate revenue recognition when the risk and rewards of the products have not yet passed to the customer and the revenue is recognized. As such there is a risk that particular terms of sale may not be met and, as a result, revenue may be recognized in the incorrect period. Consequently this is one of the key areas our audit was focused on.	Our audit procedures included; • Assessing the effectiveness of key internal controls regarding the recognition of revenue such as matching a sample of sales invoices recognized to sales orders and dispatch notes. • Testing, on a sample basis, whether specific revenue transactions around the year end had been recognized in the appropriate period on the basis of the terms of sale within the associated contracts, such as whether shipping terms had been met, goods received notes completed and, or, customer acceptance of the product received. • Assessing whether there was any evidence of management bias by forming an expectation of the current year revenue profile, with reference to historical trends, and comparing to actual. • Testing a sample of credit notes issued after the year end and challenged those that were not recorded by obtaining evidence and rationale for significant reversals. • Checking if managements' policies for revenue recognition continued to be robust and applied consistently during the year.

Carrying Value of Inventories	
Refer to the accounting policies in "Note 3.9 to the Financial Statements: Inventories", "Note 14 to the Financial Statements: Inventories"	
The key audit matter	**Our responses**
As shown in Note 14 the Group holds inventory of Rs.784,225,000/- (2017: Rs.909,787,000/-). As discussed on page 85, management judgment is applied to the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location. This primarily relates to the assessment of direct labour costs incurred, manufacturing overheads to be absorbed and other relevant production costs. A risk surrounding the carrying value of inventory when compared to the net realizable value as a result of inadequate provisioning has also been identified. Establishing a provision for slow-moving, obsolete and damaged inventory involves estimates and judgments, taking into account forecast sales and historical usage information.	Our audit procedures included; Testing the design and implementation of the Group's key controls relating to the assessment of inventory valuation and inventory provisioning. Testing, on a sample basis, we have performed the following : • Agreeing the cost of raw materials to third party supplier invoices; • For work in progress and finished goods, we obtained the bill of material and tested the underlying costs within each stock item. We challenged the key assumptions concerning overhead absorption by assessing the appropriateness of costs included in the calculation; • Assessing the overheads absorbed to determine whether they were allowable under LKAS 2 and appropriately recognized. • We agreed the estimated overheads to actual overheads incurred in the year to assess whether they were materially different; • Checked the parameters and system accuracy of weighted average cost (WAC) calculated with the assistance of information risk management specialist. • Assessing the net realisable value (NRV) on a sample basis of stock items by agreeing their subsequent sales price to customer invoices to ensure that the items were being held at the lower of cost and NRV; • Gaining an understanding of the movements in the inventory for the year and assess the scale of the provision for non-moving and slow moving inventory. • Where manual adjustments have been made to the provision, we have understood these by gaining supporting documentation. • Assessing whether the group's policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimation made in respect of inventory provisioning.

Impairment of investment in subsidiary	
Refer to the accounting policies in "Note 3.10.1 to the Financial Statements: Impairment of Financial assets", "Note 13 to the Financial Statements: Investments in subsidiaries"	
The key audit matter	Our responses
There is a risk concern with the recoverability of the investment in subsidiary amounting to Rs.893,507,000/- as at 31st March 2018. As the calculation of recoverable amount of the subsidiary deals with significant forecasts and assumptions. As such the recoverability of investment in subsidiary has been held as an area of audit focus.	Our audit procedures included • · Assessing the valuation method used and evaluating the key assumptions used by management such as revenue growth rate, gross margins and the discount rates with the help of valuation specialist. • · The key assumptions were evaluated by assessing the reasonableness of management's forecasts. • · Assessed the adequacy of disclosures in relation to fair value of impairment.

Recoverability of Trade Receivables	
Refer to the accounting policies in "Note 3.3.1.1 to the Financial Statements: Loans and receivables", "Note 15.2 to the Financial Statements: Trade receivables"	
The key audit matter	Our responses
There is a risk concerning with the trade receivables amounting to Rs.2,129,375,000/- as at 31 March 2018, which comprised of a high volume of individual balances, of which a number are material to the financial statements. These factors, together with the potential for customer insolvency, result in a risk over the recoverability of the Group's trade receivables.	Our audit procedures included; • Testing the design and operating effectiveness of the Group's key controls over the receivables collection processes, including the Group's credit control processes, over aged receivables and customer credit approvals. • Call debtor confirmations for a sample of balances and compared the amount against the year-end ledger balances. • Testing a sample of customer balances, we compared the amount of cash received after the year-end against the year-end ledger balances. • Testing the adequacy of the Group's provisions against trade receivables by critically assessing the assumptions made by the Group in determining the level of provision for each category of aged debt, with reference to the profile of aged debts at the reporting date compared with equivalent data observed subsequent to and at prior year ends along with an assessment of the level of post reporting date cash receipts. • Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provisions for the impairment of receivables. • Assessing whether there was any evidence of management bias by forming an expectation of the current year revenue profile, with reference to historical trends, and comparing to actual. (Noted)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
24 May 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2018 Rs. 000's	Group 2017 Rs. 000's	Company 2018 Rs. 000's	Company 2017 Rs. 000's
Revenue	5	9,973,563	8,837,350	9,272,290	8,162,754
Cost of sales		(8,808,985)	(7,554,460)	(8,220,644)	(6,997,246)
Gross profit		1,164,578	1,282,890	1,051,646	1,165,508
Other operating income	6	278,343	132,042	303,897	160,206
Distribution expenses		(549,994)	(552,773)	(504,002)	(513,742)
Administrative expenses		(469,001)	(445,720)	(401,337)	(380,290)
Results from operating activities	7	423,926	416,439	450,204	431,682
Finance income		9,746	3,561	3,066	3,653
Finance costs		(106,474)	(70,932)	(89,403)	(57,469)
Net financing costs	8	(96,728)	(67,371)	(86,337)	(53,816)
Impairment of investments in subsidiary		-	-	(21,989)	-
Share of joint venture's loss		(20,697)	-	(20,697)	-
Profit before taxation		306,501	349,068	321,181	377,866
Income tax expense	9	(86,685)	(111,937)	(84,726)	(112,737)
Profit for the year		219,816	237,131	236,455	265,129
Other comprehensive income/(expense) net of income tax					
Actuarial gain/(loss) on defined benefit plans		(20,141)	10,056	(15,224)	6,399
Other comprehensive income/(expense) for the year, net of tax		(20,141)	10,056	(15,224)	6,399
Total comprehensive income for the year		199,675	247,187	221,231	271,528
Profit attributable to:					
Equity holders of the parent		218,564	236,477	236,455	265,129
Non-controlling interests		1,252	654	-	-
Profit for the year		219,816	237,131	236,455	265,129
Total comprehensive income attributable to:					
Equity holders of the parent		199,007	246,209	221,231	271,528
Non-controlling interests		668	978	-	-
Total comprehensive income for the year		199,675	247,187	221,231	271,528
Basic earnings per share (Rupees)	10	6.07	6.57	6.57	7.37
Dividend per share (Rupees)	11	3.50	3.50	3.50	3.50

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 88 to 134.

Statement of Financial Position

As at 31 March	Note	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
Assets					
Non-current assets					
Property, plant and equipment	12.1 / 12.2	770,317	728,255	359,224	311,988
Investment property	12.3	264,098	33,578	28,779	33,578
Intangible assets	12.4	27,406	40,866	27,406	40,866
Investments in subsidiaries	13	-	-	871,518	586,507
Investments in joint venture	13.1	287,143	-	287,143	-
Deferred tax asset	27.1	9,395	9,395	-	-
Total non-current assets		1,358,359	812,094	1,574,070	972,939
Current assets					
Inventories	14	764,220	895,496	677,228	804,576
Trade and other receivables	15	2,459,244	2,136,222	2,235,645	1,948,447
Held to maturity investments	16	-	-	-	-
Cash and cash equivalents	17	298,622	88,268	66,852	83,294
		3,522,086	3,119,986	2,979,725	2,836,317
Assets held for sale	18	-	207,956	-	207,956
Total current assets		3,522,086	3,327,942	2,979,725	3,044,273
Total assets		4,880,445	4,140,036	4,553,795	4,017,212
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	1,695,982	1,622,935	1,858,103	1,762,832
Equity attributable to equity holders of the parent		2,211,763	2,138,716	2,380,059	2,284,788
Non-controlling interests	22	324,269	29,009	-	-
Total equity		2,536,032	2,167,725	2,380,059	2,284,788
Liabilities					
Non-current liabilities					
Long term borrowings	23.2	2,669	3,525	-	-
Lease payable after one year	24.1	1,032	-	-	-
Retirement benefit obligation	25	64,206	42,465	32,078	17,454
Deferred income/revenue	26.1	325	400	-	-
Deferred tax liability	27.1	30,459	31,649	27,395	29,008
Total non-current liabilities		98,691	78,039	59,473	46,462
Current liabilities					
Deferred income/revenue	26.1	75	75	-	-
Current portion of long term borrowings	23.2	1,376	1,376	-	-
Lease payable within one year	24.2	205	-	-	-
Interest bearing short term borrowings	28	1,262,784	930,629	1,121,801	792,629
Income tax payable	29	37,053	68,641	35,903	67,531
Trade and other payables	30	817,960	817,112	855,487	777,656
Bank overdrafts	17	126,269	76,439	101,072	48,146
Total current liabilities		2,245,722	1,894,272	2,114,263	1,685,962
Total liabilities		2,344,413	1,972,311	2,173,736	1,732,424
Total equity and liabilities		4,880,445	4,140,036	4,553,795	4,017,212
Net asset value per share (Rupees)		61.46	59.43	66.13	63.49

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 88 to 134.

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

P. Pavalachandran
General Manager - Group Financial Services

The Board of Directors is responsible for preparation and presentation of these Financial Statements.
The Financial Statements on pages 82 to 134 were approved by the Board of Directors and were signed in Colombo on 24 May 2018 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

Group	Stated capital Rs.000's	Capital reserves Rs.000's	General reserve Rs.000's	Retained earnings Rs.000's	Total Rs.000's	Non-controlling interests Rs.000's	Total Rs.000's
	Attributable to equity holders of the parent company						
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
Balance as at 1 April 2017	507,047	8,734	7,000	1,615,935	2,138,716	29,009	2,167,725
Total comprehensive income for the year							
Profit for the year	-	-	-	218,564	218,564	1,252	219,816
Other comprehensive expense, net of tax	-	-	-	(19,557)	(19,557)	(584)	(20,141)
Total comprehensive income for the year	-	-	-	199,007	199,007	668	199,675
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)
Subsidiary dividend to NCI	-	-	-	-	-	(368)	(368)
Acquisition of non controlling interest	-	-	-	-	-	294,960	294,960
Balance as at 31 March 2018	507,047	8,734	7,000	1,688,982	2,211,763	324,269	2,536,032

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 88 to 134.

For the year ended 31 March

Company	Stated capital Rs.000's	Capital reserves Rs.000's	General reserve Rs.000's	Retained earnings Rs.000's	Total Rs.000's
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
Balance as at 1 April 2017	507,047	14,909	7,000	1,755,832	2,284,788
Total comprehensive income for the year					
Profit for the year	-	-	-	236,455	236,455
Other comprehensive expense, net of tax	-	-	-	(15,224)	(15,224)
Total comprehensive income for the year	-	-	-	221,231	221,231
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 2018	507,047	14,909	7,000	1,851,103	2,380,059

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 88 to 134.

Statement of Cash Flow

For the year ended 31 March	Group		Company	
	2018 Rs. 000's	2017 Rs. 000's	2018 Rs. 000's	2017 Rs. 000's
Cash flows from operating activities				
Profit before taxation	306,501	349,068	321,181	377,866
Adjustments for :				
Depreciation and amortisation of investment property, intangible assets and property, plant and equipment	115,059	99,562	86,475	74,105
Profit on disposal of property, plant and equipment	(20,500)	(15,115)	(18,563)	(13,749)
Profit on disposal of available for sale assets	(141,693)	-	(141,693)	-
Provision for retirement benefit obligation	12,280	13,973	7,747	8,453
Finance income	(5,591)	(876)	(1,262)	(1,100)
Income from investments	(622)	-	(622)	-
Finance costs	105,805	70,932	88,796	57,469
Provision for compensation under voluntary retirement scheme	-	4,875	-	2,750
Unrealised profit on inventory	(528)	(1,596)	-	-
Provision for impairment in subsidiary	-	-	21,989	-
Provision for share of loss of joint venture	20,697	-	20,697	-
Provision for slow moving inventories	7,977	6,289	6,082	4,409
Provision for market returns	442	9,463	442	8,443
Provision for impairment of trade receivables	9,551	7,169	9,026	6,749
Provision for impairment of held to maturity investments	-	360	-	-
Provision/(reversal) impairment of other receivables	-	(1,652)	-	-
Operating profit before working capital changes	409,378	542,452	400,295	525,395
Changes in working capital				
Change in inventories	(50,101)	(11,392)	(52,664)	(69,459)
Change in trade and other receivables	(412,177)	(277,676)	(264,371)	(195,210)
Change in trade and other payables	89,737	263,170	52,925	269,691
Change in deferred income/revenue	-	475	-	-
Cash generated from operating activities	36,837	517,029	136,185	530,417
Interest paid	(105,744)	(70,932)	(88,796)	(57,469)
Payments to gratuity fund	(8,348)	(10,548)	(8,348)	(8,117)
Gratuity paid	(2,332)	(754)	-	-
Compensation paid under voluntary retirement scheme	-	(4,875)	-	(2,750)
Income tax/economic service charge paid	(127,936)	(107,730)	(125,357)	(107,729)
Net cash flows from/(used in) operating activities	(207,523)	322,190	(86,316)	354,352

For the year ended 31 March	Group 2018 Rs. 000's	Group 2017 Rs. 000's	Company 2018 Rs. 000's	Company 2017 Rs. 000's
Cash flows from investing activities				
Purchase of property, plant and equipment	(121,188)	(262,382)	(79,301)	(250,309)
Proceeds from disposal of property, plant and equipment	19,816	22,739	17,723	16,034
Proceeds from issue of shares during the year	294,960	-	-	-
Acquisition of joint venture	(36,570)	-	(36,570)	-
Acquisition of subsidiary	-	-	(90,000)	-
Dividend received	622	-	622	-
Net cash flows from (used in) investing activities	157,640	(239,643)	(187,526)	(234,275)
Cash flows from financing activities				
Long term borrowings/(repayments)	(856)	2,269	-	-
Short term borrowings	332,155	130,629	329,172	107,629
Lease rental paid	(155)	-	-	-
Interest received	5,591	876	1,262	1,100
Dividend paid	(126,328)	(125,960)	(125,960)	(125,960)
Net cash flows from/(used in) financing activities	210,407	7,814	204,474	(17,231)
Net changes in cash and cash equivalents	160,524	90,361	(69,368)	102,846
Cash and cash equivalents at beginning of the year	11,829	(78,532)	35,148	(67,698)
Cash and cash equivalents at the end of the year (Note 17)	172,353	11,829	(34,220)	35,148

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 88 to 134.

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 four subsidiary companies namely, Ceymac Rubber Company Limited, Ceytra (Private) Limited, Kelani Valley Canneries Limited and Sunquick Lanka Properties (Private) 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 rental income by lease out of properties.

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 Lankan 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.

3.1.4 Consolidation of entities with different accounting periods

The Financial Statements of all entities in the Group other than Sunquick Lanka Property (Private) Limited are prepared for a common fnancial year, which ends on 31 March. Sunquick Lanka Property (Private) Limited with a 31 December fnancial year end prepares for consolidation purpose, additional fnancial information as of the same date as the fnancial statements of the parent.

3.1.5 Investments in equity accounted investees

Joint ventures are arrangements in which the Group has joint control and have rights to the net assets of the arrangement. The group has Joint Control in a venture when there is contractually agreed sharing of control of the venture and the decisions about the relevant activities of the venture require the unanimous consent of the parties sharing control.

Joint ventures are treated as equity accounted investees and are accounted for using the equity method.

Under the equity method Investments in equity-accounted investees are recognised initially at cost, which includes transaction costs. The carrying amount of the investment is adjusted at each reporting date to recognise changes in the Group’s share of net assets of the equity-accounted investees arising since the acquisition date. Goodwill relating to the equity-accounted investees is included in the carrying amount of the investment. Dividends declared by the equity accounted investees are recognised against the equity value of the Group’s investment.

The income statement reflects the Group’s share of the results of operations of the equity accounted investees. When there is a change recognised directly in the equity of the entity, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the equity-accounted investees are eliminated to the extent of the interest in the equity-accounted investees. The Group’s share of profit or loss of equity accounted investees is shown on the face of the income statement and represents profits or loss after tax of the entity and the non-controlling interests in the subsidiaries of the equity-accounted investees.

Adjustments are made if necessary, to the financial statements of the equity accounted investees to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize on impairment loss on its investment in its equity accounted investee. The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in ‘share of losses of an equity accounted investee’ in the income statement.

Upon loss of significant influence over the associate or the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee disposed and the fair value of the retaining investment and the proceeds from disposal is recognised in the income statement.

Summarised financial Information in respect of subsidiaries that have non-controlling interests that are material to the reporting entity (i.e., the Group) is disclosed separately when applicable.

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 short term deposits with original maturity of three months or less. For purpose of cash flow bank overdrafts that are repayable on demand and form an intergral part of the Group's cash management are included as components of cash and cash equivalents.

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.

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.

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 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. SLFRS - 9 is effective from 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.

For the year ended 31 March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
5. Revenue				
Gross revenue	10,556,732	9,391,812	9,850,832	8,677,387
Less: Turnover related taxes	(583,169)	(554,462)	(578,542)	(514,633)
Net revenue	9,973,563	8,837,350	9,272,290	8,162,754

Turnover related taxes includes 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 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 of technically specified rubber (TSR),plantation sole crepe rubber, specialised industrial sole crepe rubber and moulded rubber products.

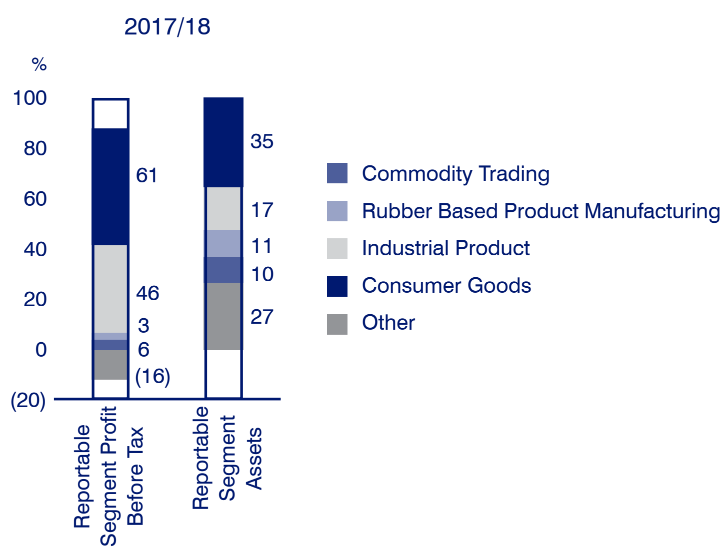
- Industrial products
  Import and sale of welding equipment and consumables and light engineering products, refrigeration and air-conditioning components and marine paints and protective coatings.

- Consumer goods
  Manufacture and trading of FMCG products.

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

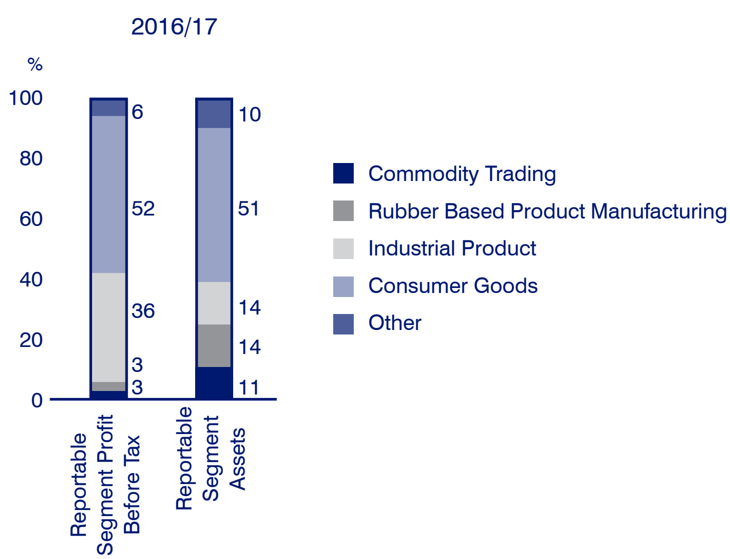
For the year ended 31 March 2018
Group

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	1,797,775	683,784	877,514	6,855,926	1,751	10,216,750
Inter-segment revenue	(840)	(19,982)	(84)	(222,281)	-	(243,187)
Revenue from external customers	1,796,935	663,802	877,430	6,633,645	1,751	9,973,563
Segment gross profit	115,035	67,478	227,465	752,849	1,751	1,164,578
Operating overheads	(77,614)	(52,782)	(72,437)	(551,409)	(188,877)	(943,119)
Depreciation and amortisation	(5,587)	(2,958)	(6,325)	(18,244)	(46,033)	(79,147)
Contribution to defined benefit plan for gratuity	-	(720)	-	(4,239)	(3,441)	(8,400)
Provision for impairment of trade debtors	-	(173)	(7,383)	(1,470)	-	(9,026)
Other operating income	226	3,112	8,572	99,026	167,407	278,343
Results from operating activities	32,060	13,957	149,892	276,513	(69,193)	403,229
Finance income (including foreign exchange loss)	6,853	2,373	41	(3,877)	4,356	9,746
Finance costs	(45)	(5,939)	(1)	(16,369)	(84,120)	(106,474)
Profit/(loss) before taxation	38,868	10,391	149,932	256,267	(148,957)	306,501
Income tax expense	(5,746)	(1,109)	(24,657)	(40,259)	(14,915)	(86,685)
Profit/(loss) for the year	33,122	9,282	125,275	216,008	(163,872)	219,816
Total assets	485,468	521,341	809,220	1,725,781	1,338,635	4,880,445
Total liabilities	140,685	130,364	351,807	798,056	923,501	2,344,413
Capital expenditure	166	6,696	12,249	37,055	65,023	121,188
Total depreciation	5,587	21,775	7,063	34,601	46,033	115,059



For the year ended 31 March 2017
Group

Business segments	Commodity Trading Rs.000's	Rubber Based Products 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



For the year ended 31 March		Group		Company	
		2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's

6. Other operating income

	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
Sundry income	16,744	17,891	14,698	15,912
Profit on disposal of property, plant and equipment	162,224	15,115	160,287	13,749
Government grants	75	25	-	-
Service fee	1,160	-	13,160	12,000
Export handling fee	-	-	17,871	19,534
Rent income	98,140	99,011	97,881	99,011
	278,343	132,042	303,897	160,206

7. Results from operating activities

7.1 Results from operations is stated after charging:

		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
Depreciation on					
- Property, plant and equipment		96,610	86,317	68,856	60,860
- Investment property		4,799	4,799	4,799	4,799
- Intangible assets		12,820	8,446	12,820	8,446
Directors' emoluments	(Note 31.2)	28,301	25,918	25,792	23,710
Personnel expenses	(Note 7.3)	349,236	319,240	208,100	193,103
Auditors' remuneration - Audit fees		4,635	3,485	2,600	2,175
- Non-audit services		138	828	-	828
- Audit related fee and expenses		408	389	112	389
Other auditors' remuneration - Internal audit fees		1,548	1,496	1,051	988
Compensation paid under voluntary retirement scheme		-	4,875	-	2,750
Provision for market returns		460	8,443	220	8,443
Provision for obsolete inventories	(Note 14.1)	7,977	6,289	6,082	4,409
Provision for impairment of trade receivables	(Note 15.3)	9,551	7,169	9,026	6,749
Provision for impairment of held to maturity investments	(Note 16.1)	-	360	-	-
Provision for impairment of other receivables	(Note 15.5.1)	-	(1,652)	-	-

7.2 Results from operations comprise those of the:

	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
Company	450,204	431,682	450,204	431,682
Subsidiary companies	(26,278)	(15,243)	-	-
	423,926	416,439	450,204	431,682

7.3 Personnel expenses :

		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
Salaries and wages		298,176	269,183	172,685	158,525
Contribution to defined contribution plans (EPF/MSPS/ ETF)		38,435	36,084	27,668	26,125
Contribution to defined benefit plan for gratuity	(Note 25.6)	12,625	13,973	7,748	8,453
		349,236	319,240	208,101	193,103

For the year ended 31 March		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
8. Net financing costs					
Interest cost					
Interest on other borrowings		106,412	70,932	89,403	57,345
Lease interest		62	-	-	-
Interest on inter company balances		-	-	-	124
		106,474	70,932	89,403	57,469
Interest income					
Interest on fixed deposits/ savings accounts		(5,591)	(876)	(607)	(417)
Interest from inter company balances		-	-	(655)	(683)
Net foreign exchange gain		(4,155)	(2,685)	(1,804)	(2,553)
		(9,746)	(3,561)	(3,066)	(3,653)
		96,728	67,371	86,337	53,816
9. Income tax expense					
9.1 Current tax expense					
Income tax on current year's profit	(Note 9.3)	92,015	120,483	90,479	119,372
Under/(over) provision for previous year		(4,140)	33	(4,140)	33
		87,875	120,516	86,339	119,405
Deferred tax expense					
Deferred taxation	(Note 27)	(1,190)	(8,579)	(1,613)	(6,668)
		(1,190)	(8,579)	(1,613)	(6,668)
		86,685	111,937	84,726	112,737

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 Inland Revenue Act No. 10 of 2006, as amended.

For the year ended 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's

9.3 Reconciliation of accounting profit to income tax :

Profit before income tax	306,501	349,068	321,181	377,866
Less: Other sources of income	(3,865)	(2,114)	(1,261)	(1,100)
Aggregate disallowable expenses	272,671	223,633	250,013	172,913
Aggregate allowable expenses	(95,105)	(148,838)	(76,168)	(91,297)
Aggregate disallowable income	(162,224)	(15,115)	(160,287)	(13,749)
Other sources of income	3,865	2,035	1,261	1,100
Total statutory income	321,843	408,669	334,738	445,733
Tax losses set-off	(4,428)	(2,216)	-	-
Assessable income	317,415	406,453	334,738	445,733
Taxable income	317,415	406,453	334,738	445,733
Applicable tax rates:				
Income tax @ 28%	88,725	116,379	88,081	115,298
Income tax @ 12%	3,290	4,104	2,398	4,074
Income tax on current year's profit	92,015	120,483	90,479	119,372

9.4 Accumulated tax losses

Tax losses at the beginning of the year	404,059	366,404	-	-
Adjustment to the tax loss brought forward	-	(3,454)	-	-
Loss for the year	12,820	43,325	-	-
Tax loss set off during the year	(4,428)	(2,216)	-	-
Tax losses at the end of the period	412,451	404,059	-	-

9.5 Economic service charge

Balance at the beginning of the year	22,079	9,919	11,884	-
Payments made during the year	47,564	29,557	45,299	26,448
Set off against income tax	(37,973)	(14,564)	(37,909)	(14,564)
Write-off during the year	(1,280)	(2,833)	-	-
Balance at the end of the year	30,390	22,079	19,274	11,884

10. Basic earnings per share (Rupees)

The calculation of the earnings per share is based on the profit for the year attributable to ordinary shareholders divided by 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	
	2018	2017	2018	2017
Net profit attributable to ordinary shareholders (Rs.'000)	218,564	236,477	236,455	265,129
Weighted average number of ordinary shares	35,988,556	35,988,556	35,988,556	35,988,556
Earnings per share (Rupees)	6.07	6.57	6.57	7.37

11. Dividend per share (Rupees)

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

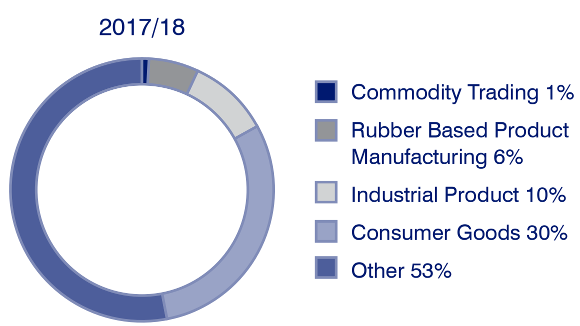
12. Property, Plant and Equipment

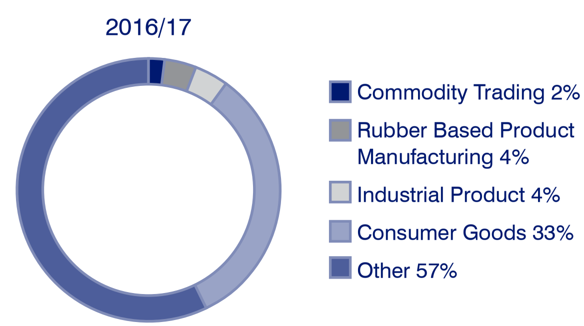
12.1 Property, plant and equipment - Group

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	Leasehold Motor Vehicles	Capital Work in Progress	Total 2018	Total 2017
	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	Rs.000's
Cost												
Balance at the beginning of the year	38,419	257,500	217,694	299,184	70,770	25,512	235,521	39,111	-	-	1,183,711	1,347,692
Adjustments for (write-off)/write-back	-	-	2	-	(3,609)	3	1	(1)	-	-	(3,604)	-
Additions during the year	-	-	5,364	9,135	3,369	2,729	64,344	3,898	2,145	10,437	101,421	221,067
Disposals during the year	-	-	-	(4,801)	(968)	(138)	(33,930)	(1,303)	-	-	(41,140)	(32,502)
Assets held for sale	-	39,468	587	3,005	409	463	15,037	-	-	-	58,969	(352,548)
Balance at the end of the year	38,419	296,968	223,647	306,523	69,971	28,569	280,973	41,705	2,145	10,437	1,299,357	1,183,709
Accumulated depreciation												
Balance at the beginning of the year	17,730	-	32,847	199,279	33,726	17,473	133,422	20,977	-	-	455,454	538,607
Adjustments for write-off/(write-back)	3	-	2,335	984	(4,773)	520	893	-	-	-	(38)	-
Depreciation charge for the year	2,956	-	8,396	27,835	10,548	2,324	39,601	4,808	142	-	96,610	86,317
Disposals during the year	-	-	-	(4,801)	(820)	(111)	(33,628)	(835)	-	-	(40,195)	(24,878)
Assets held for sale	-	-	28	2,723	327	419	13,712	-	-	-	17,209	(144,592)
Balance at the end of the year	20,689	-	43,606	226,020	39,008	20,625	154,000	24,950	142	-	529,040	455,454
Written down value												
As at 31 March 2018	17,730	296,968	180,041	80,503	30,963	7,944	126,973	16,755	2,003	10,437	770,317	
As at 31 March 2017	20,689	257,500	184,847	99,905	37,044	8,039	102,099	18,132	-	-		728,255

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	Leasehold Motor Vehicles	Capital Work in Progress	Total 2018	Total 2017
	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	Rs.000's
Cost												
Balance at the beginning of the year	38,419	43,500	35,772	112,454	60,622	25,512	206,134	32,925	-	-	555,338	718,692
Adjustments for (write-off)/write-back	-	-	2	-	(3,609)	3	1	(1)	-	-	(3,604)	-
Additions during the year	-	-	5,364	5,787	3,236	2,729	58,042	3,527	-	-	78,685	208,994
Disposals during the year	-	-	-	-	(429)	(138)	(29,193)	(1,303)	-	-	(31,063)	(19,802)
Assets held for sale	-	39,468	587	3,005	409	463	15,037	-	-	-	58,969	(352,548)
Balance at the end of the year	38,419	82,968	41,725	121,246	60,229	28,569	250,021	35,148	-	-	658,325	555,336
Accumulated depreciation												
Balance at the beginning of the year	17,730	-	3,931	46,533	26,414	17,473	113,530	17,737	-	-	243,348	344,597
Adjustments for depreciation of write-off/(write-back)	3	-	2,335	984	(4,773)	520	893	-	-	-	(38)	-
Depreciation charge for the year	2,956	-	1,343	11,951	9,721	2,324	36,538	4,023	-	-	68,856	60,860
Disposals during the year	-	-	-	-	(421)	(111)	(28,907)	(835)	-	-	(30,274)	(17,517)
Assets held for sale	-	-	28	2,723	327	419	13,712	-	-	-	17,209	(144,592)
Balance at the end of the year	20,689	-	7,637	62,191	31,268	20,625	135,766	20,925	-	-	299,101	243,348
Written down value :												
As at 31 March 2018	17,730	82,968	34,088	59,056	28,961	7,944	114,255	14,223	-	-	359,224	
As at 31 March 2017	20,689	43,500	31,841	65,921	34,208	8,039	92,604	15,186	-	-		311,988

	Group		Company	
As at 31 March	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
12.3 Investment property				
Cost				
Balance at the beginning of the year	62,344	62,344	62,344	62,344
Additions	236,150	-	-	-
Balance at the end of the year	298,494	62,344	62,344	62,344
Accumulated depreciation				
Balance at the beginning of the year	28,766	23,967	28,766	23,967
Depreciation charge for the year	5,630	4,799	4,799	4,799
Balance at the end of the year	34,396	28,766	33,565	28,766
Written down value as at 31 March	264,098	33,578	28,779	33,578

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 opearting expenses are included in the Statement of Profit or Loss and other Comprehensive Income as follows:

For the year ended 31 March

Rent income	98,140	99,011	97,881	99,011
Direct operating expenses arising from investment property that generated rental income during the year	19,839	19,839	19,839	19,839
12.4 Intangible assets				
Software purchased				
Cost				
Balance at the beginning of the year	63,294	21,979	63,294	21,979
Adjustments for write-back	3,608	-	3,608	-
Additions	615	41,315	615	41,315
Balance at the end of the year	67,517	63,294	67,517	63,294
Accumulated amortisation				
Balance at the beginning of the year	22,428	13,982	22,428	13,982
Adjustments for write-off	4,863	-	4,863	-
Amortisation for the year	12,820	8,446	12,820	8,446
Balance at the end of the year	40,111	22,428	40,111	22,428
Written down value as at 31 March	27,406	40,866	27,406	40,866

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 2018 is Rs.251 million (2017-Rs.351 million)

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31 March 2018 is Rs.140 million (2017-Rs.243 million)

(ii) Leasehold motor vehicles

The Group has taken on lease motor vehicles under a number of finance lease agreements. At the end of the primary period of such leases, the Group has the option to purchase the equipment at a beneficial price.

(iii) 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.

C.W. Mackie PLC has surrendered the aforesaid lease of the premises No. 34 and 36, D.R. Wijewardena Mawatha, Colombo 10 to the Divisional Secretary, at his request, on the understanding that the terms, conditions and covenants contained in the lease will continue to be in force in respect of the said premises during the tenure of the lease, for the purpose of vesting the land in the Urban Development Authority (UDA) to thereafter enable the UDA to allocate the said land, together with an adjoining land, to the Company for the purpose of a contemplated development by the Company on the amalgamated lands, pursuant to the Government's re-development plan for the Beira Lake along D.R. Wijewardena Mawatha.

(iv) 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		
Scan Water Bottling Plant - Munagama, Horana	3A,0R,5.21P	4
Sunquick Plant - Sunquick Lanka Properties (Private) Limited - Munagama, Horana	2A,3R,33.07P	8
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

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 2018.

12.9 Capital work-in progress

The capital work-in progress balance represents the cost incurred by Sunquick Lanka Property (Private) Limited on the project to improve the production capacity of the factory rented out to Sunquick Lanka (Private) Limited under the supervision of the Co-Ro A/S. Accordingly, the Company has capitalized the improvements made to land and buildings in the design stage of the project as at the year end.

	Group		Company	
As at 31 March	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
13. Investments in subsidiaries				
Ceymac Rubber Company Limited	-	-	424,823	424,823
Ceytra (Private) Limited	-	-	34,652	34,652
Sunquick Lanka Properties (Private) Limited			307,000	-
	-	-	766,475	459,475
Kelani Valley Canneries Limited	-	-	127,032	127,032
Less: Provision for impairment loss	-		(21,989)	-
		-	105,043	127,032
	-	-	871,518	586,507

13.1 Investments in joint venture

Sunquick Lanka (Private) Limited

13.1.1 The Company has 49% interest in Sunquick Lanka (Private) Limited, a joint venture formed 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. The factory premises located at Horana.

13.1.2 The Group's interest in Sunquick Lanka (Private) Limited is accounted for using the equity method in the Consolidated Financial Statements. Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the Financial Statements are set out below.

	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Summarized Statement of Profit or Loss				
Revenue	1,041,722	-	-	-
Operating expenses	(136,991)	-	-	-
Finance income	1,967	-	-	-
Finance cost	(10,065)	-	-	-
Loss for the year	(42,238)	-	-	-
Group's share of loss for the year	(20,697)	-	-	-
Summarized Statement of Financial Position				
Non current assets	240,747	-	-	-
Current assets	888,751	-	-	-
Non current liabilities	4,669	-	-	-
Current liabilities	538,823	-	-	-
Equity	586,007	-	-	-
Group's carrying amount of the investments	287,143	-	-	-
Equity Reconciliation				
Carrying value as at 1st April	-	-	-	-
Investment made during the year	307,840	-	307,840	-
Share of loss	(20,697)	-	(20,697)	-
Carrying value as at 31st March	287,143	-	287,143	-

	Principal Activity	Holding %	Deemed Cost 31.03.2018 Rs.000's	Deemed Cost 31.03.2017 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 and export of moulded rubber products. Place of business is in Horana.	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, young coconut/king coconut water and beverage products under 'KVC' brand. Place of business is in Hanwella.	88.34%	127,032	127,032
Sunquick Lanka Properties (Private) Limited	The principal activities of the company is to own the production site and the production facilities and to lease out these facilities to Sunquick Lanka (Private) Limited pursuant to the lease agreement. Place of business is in Horana.	51.00%	307,000	-

	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
14. Inventories				
Raw materials	20,292	141,031	1,615	118,122
Work-in-progress	10,604	17,079	-	-
Finished goods	710,981	632,173	667,106	598,978
Goods-in-transit	108	27,256	108	27,256
Other consumables	42,240	92,248	23,947	71,109
	784,225	909,787	692,776	815,465
Less: Provision for slow moving inventories - (Note 14.1)	(20,005)	(14,291)	(15,548)	(10,889)
	764,220	895,496	677,228	804,576
14.1 Provision for slow moving inventories				
Balance at the beginning of the year	14,291	15,604	10,889	7,775
Provision made during the year	7,977	6,289	6,082	4,409
Write-off during the year	(2,263)	(7,602)	(1,423)	(1,295)
Balance at the end of the year	20,005	14,291	15,548	10,889

Inventories mentioned above are stated at the lower of cost and net realisable value. Inventories amounting to Rs.693 million (2017 - Rs.815 million) have been pledged as security for short term loans and overdraft facilities obtained from banks (Note 28.2)

		Group		Company	
As at 31 March		2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
15. Trade and other receivables					
Trade receivables from related parties	(Note 15.1)	529	662	6,120	6,048
Trade receivables	(Note 15.2)	2,093,297	1,849,568	1,938,387	1,694,669
Deposits		8,127	7,958	7,180	7,111
Loans to employees	Note 15.4)	19,656	18,125	7,103	7,497
Other receivables	(Note 15.5)	337,635	259,909	276,855	233,122
		2,459,244	2,136,222	2,235,645	1,948,447
15.1 Trade receivable from related parties :					
Ceymac Rubber Company Limited		-	-	2,951	3,323
Ceytra (Private) Limited		-	-	2,640	2,063
Ceylon Trading Company Limited		-	397	-	397
E.B.Creasy & Company PLC		237	107	237	107
York Hotel Management Services Limited		111	75	111	75
Beruwala Resorts Limited		181	46	181	46
Lanka Special Steel Limited		-	37	-	37
		529	662	6,120	6,048

The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at the rate of 12% per annum, (2017:12%).

As at 31 March		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
15.2 Trade receivables:					
Trade receivables - Local sales		1,930,176	1,693,739	1,815,261	1,573,055
- Export sales		199,199	187,137	157,086	151,317
		2,129,375	1,880,876	1,972,347	1,724,372
Less : Provision for impairment loss	(Note 15.3)	(36,078)	(31,308)	(33,960)	(29,703)
		2,093,297	1,849,568	1,938,387	1,694,669

Trade debtors amounting to Rs.1,972 million (2017-Rs.1,724 million) have been pledged as security for short term loans and overdraft facilities obtained from banks (Note 28.2).

15.3 Provision for impairment loss :

	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	31,308	25,339	29,703	22,958
Provision made during the year	9,551	7,169	9,026	6,749
Write-off during the year	(4,781)	(1,200)	(4,769)	(4)
Balance at the end of the year	36,078	31,308	33,960	29,703

15.4 Loans to employees :

	Group 2018	Group 2017	Company 2018	Company 2017
Balance at the beginning of the year	18,125	15,573	7,497	7,323
Loans granted during the year	17,399	14,781	7,978	9,535
	35,524	30,354	15,475	16,858
Recovered during the year	(15,868)	(12,229)	(8,372)	(9,361)
Balance at the end of the year	19,656	18,125	7,103	7,497

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

As at 31 March		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
15.5 Other receivables					
Payments in advance		179,236	124,845	154,666	113,187
Economic service charge	(Note 9.5)	30,390	22,079	19,271	11,884
VAT receivable		32,619	32,619	15,777	15,777
With-holding tax receivable		62	-	62	-
Prepayments		25,764	6,320	2,403	2,616
Other receivables		92,985	97,467	92,251	97,236
		361,056	283,330	284,433	240,700
Less : Provision for other receivables	(Note 15.5.1)	(23,421)	(23,421)	(7,578)	(7,578)
		337,635	259,909	276,855	233,122
15.5.1 Provision for other receivables					
Balance at the beginning of the year		23,421	35,910	7,578	7,578
Provision/(reversal) made during the year		-	(1,652)	-	-
Written off during the year		-	(10,837)	-	-
Balance at the end of the year		23,421	23,421	7,578	7,578

16. Held to maturity investments

As at 31 March		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
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		360	360	-	-
Provision made during the year		-	-	-	-
Balance at the end of the year		360	360	-	-

17. Cash and cash equivalents

As at 31 March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
Bank balances	196,997	86,716	65,502	81,926
Cash in hand	1,625	1,552	1,350	1,368
Short term deposit	100,000	-	-	-
	298,622	88,268	66,852	83,294
Bank overdraft	126,269	76,439	101,072	48,146
Cash and cash equivalents for cash flow purpose	172,353	11,829	(34,220)	35,148

18. Assets held for sale

C.W Mackie PLC and Co-Ro A/S from Denmark has entered 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 marketed under 'Sunquick' brand.

Accordingly, assets relating to "Sunquick" factory is presented as assets held for sale as at end of March 2017. Sale of assets were completed during the year ended 31 March 2018 resulting a net profit of Rs.142 million which is included under other operating income in the statement of profit or loss and other comprehensive income.

As at 31 March 2017 assets held for sale stated at cost and comprised 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 equipments	4,603	3,397	1,206
Office equipments	200	200	-
Lab equipments	394	394	-
Computers	1,009	829	180
	352,548	144,592	207,956

Cumulative income or expenses included in OCI

There are no cumulative income or expenses included in OCI relating to the disposal Group.

	Group		Company	
As at 31 March	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
19. Stated capital				
Ordinary shares (No. of shares 35,988,556)	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

As at 31 March	Group		Company	
	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
21. Revenue reserves*				
General reserve	7,000	7,000	7,000	7,000
Retained earnings	1,688,982	1,615,935	1,851,103	1,755,832
	1,695,982	1,622,935	1,858,103	1,762,832

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

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	
	2018 Rs. 000'	2017 Rs. 000'	2018 Rs. 000'	2017 Rs. 000'	2018 Rs. 000'	2017 Rs. 000'
NCI percentage (%)	37.18%	37.18%	-	-	-	-
Total assets	67,355	58,310	695,424	705,530	762,779	763,840
Total liabilities	13,152	9,828	325,661	281,427	338,813	291,255
Net assets	54,203	48,482	369,763	424,103	423,966	472,585
Carrying amount of NCI	20,153	18,026	304,116	10,983	324,269	29,009
Revenue	83,020	76,265	830,903	801,955	913,923	878,220
Profit/(loss) after tax	7,919	7,563	(46,451)	(33,965)	(38,532)	(26,402)
Total comprehensive income	6,711	8,164	(46,585)	(30,909)	(39,875)	(22,745)
Profit/(loss) allocated to NCI	2,495	3,035	(1,826)	(2,057)	669	978
Cash flows from/(used in) operating activities	(5,747)	(1,109)	(121,241)	(32,643)	(126,988)	(33,752)
Cash flows from/(used in) investing activities	4,554	4,968	351,344	(9,631)	355,898	(4,663)
Cash flows from/(used in) financing activities, before dividend to NCI	(990)	659	1,972	25,269	982	25,928
Cash flows from financing activities	(990)	659	1,972	25,269	982	25,928
Net increase in cash and cash equivalents	(2,183)	4,518	232,076	(17,005)	229,893	(12,487)

As at 31st March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
23. Loans and borrowings				
Balance at the beginning of the year	4,901	2,632	-	-
Obtained during the year	520	3,000	-	-
Repayments during the year	(1,376)	(731)	-	-
Balance at the end of the year	4,045	4,901	-	-
23.1 Sources of finance				
Commercial Bank of Ceylon PLC	4,045	4,901	-	-
	4,045	4,901	-	-
23.2 Maturity analysis				
Payable after one year but less than five years	2,669	3,525	-	-
Payable within one year	1,376	1,376	-	-

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 Rs.3 million at Kaluaggala, Hanwella	AWPLR + 3%

	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
24. Finance lease liability				
Balance at the beginning of the year	-	-	-	-
Lease obtained during the year	1,854	-	-	-
Early settlement discounts	-	-	-	-
Repayments during the year	(155)	-	-	-
Balance at the end of the year	1,699	-	-	-
Interest in suspense	(463)	-	-	-
Capital outstanding at the end of the year	1,236	-	-	-
24.1 Payable after one year				
Lease rental payable	1,329	-	-	-
Interest in suspense	(297)	-	-	-
	1,032	-	-	-
24.2 Payable within one year				
Lease rental payable	371	-	-	-
Interest in suspense	(166)	-	-	-
	205	-	-	-

As at 31 March		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
25. Retirement benefit obligation					
Present value of defined benefit obligation	(Note 25.2)	107,924	85,365	74,755	58,868
Fair value of plan assets	(Note 25.3)	(43,712)	(42,894)	(42,677)	(41,414)
Unrecognised actuarial gain/(loss)	(Note 25.4)	-	-	-	-
		64,212	42,471	32,078	17,454
Arrears payable to the CWM Staff Non-Contributory Gratuity Fund	(Note 25.5)	(6)	(6)	-	-
		64,206	42,465	32,078	17,454

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 2018 and the appropriate adjustments have been effected in the Financial Statements.

As at 31 March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
25.1 Plan assets consist of the following:				
Treasury bills	37,128	36,024	36,249	35,025
Cash	5,527	5,930	5,396	5,515
Others	1,057	940	1,032	874
	43,712	42,894	42,677	41,414
25.2 Movement in present value of defined benefit obligations				
Balance at the beginning of the year	85,365	88,744	58,868	60,227
Current service cost	6,772	8,152	4,745	5,535
Interest cost	10,488	9,762	7,461	6,625
Benefits paid by the plan	(13,821)	(9,517)	(10,614)	(5,557)
Actuarial gain/(loss)	19,120	(11,776)	14,295	(7,962)
Balance at the end of the year	107,924	85,365	74,755	58,868
25.3 Movement in fair value of plan assets				
Balance at the beginning of the year	42,894	38,888	41,414	36,710
Contribution paid into gratuity fund	10,982	10,548	8,348	8,117
Benefits paid by the gratuity fund	(13,778)	(8,763)	(10,614)	(5,557)
Expected return on plan assets	4,635	3,941	4,458	3,707
Actuarial loss	(1,021)	(1,720)	(929)	(1,563)
Balance at the end of the year	43,712	42,894	42,677	41,414

As at 31 March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
25.4 Unrecognised actuarial (gain)/loss				
Balance at the beginning of the year	-	-	-	-
Actuarial gain/(loss) for year - obligation	19,120	(11,776)	14,295	(7,962)
Actuarial gain/(loss) for year - plan assets	1,021	1,720	929	1,563
Actuarial gain/(loss) recognised during the year	(20,141)	10,056	(15,224)	6,399
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	10,982	10,548	8,348	8,117
Paid to the fund	(10,982)	(10,548)	(8,348)	(8,117)
Balance at the end of the year	(6)	(6)	-	-
25.6 Amount recognised in the Statement of Comprehensive Income				
Recognised in profit or loss				
Current service cost	6,772	8,152	4,745	5,535
Interest cost	10,488	9,762	7,461	6,625
Expected return on plan assets	(4,635)	(3,941)	(4,458)	(3,707)
	12,625	13,973	7,748	8,453
Recognised in the other comprehensive income				
Recognition of actuarial gain/(loss)	20,141	(10,056)	15,224	(6,399)
Total amount recognised in the Statement of Profit or Loss and Other Comprehensive Income	32,766	3,917	22,972	2,054
25.7 Actuarial assumptions				
Discount rate	11.00%	12.50%	11.00%	12.50%
Expected return on plan assets	12.50%	12.50%	12.50%	12.50%
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.

As at 31 March	Sensitivity effect on Total Comprehensive Income increase/(reduction)		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%)	(10,724)	(7,213)	10,724	7,213
Increase in discount rate (1%)	9,201	6,175	(9,201)	(6,175)
Decrease in salary escalation (1%)	8,961	6,002	(8,961)	(6,002)
Increase in salary escalation (1%)	(10,223)	(6,860)	10,223	6,860
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

As at 31 March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
26. Deferred income/revenue				
Government grant	400	475	-	-
	400	475	-	-
26.1 Maturity analysis				
Non-current	325	400	-	-
Current	75	75	-	-

Kelani Valley Canneries Limited (KVC) has been awarded a government grant in December 2016 from Industrial Development Board of Ceylon, amounted to Rs.500,000 for the acquisition of fully automated jam cup filing machine which was total cost of Rs.1.3 million. The grant was received under the scheme with the aim of facilitating Micro Small and Medium Enterprises's (MSME) engaged in food based products by supporting them with funds needed to acquire new technology or purchase modern machinery to enhance the quality or productivity of their production. The government grant recognised as deferred income is being amortised over the useful life of the machinery.

In accordance with the term of the grant KVC shall complete all the activities connected with the aforesaid project on or before 31 October 2016 and shall start the production with above machinery and company shall not sell, assign, pledge, mortgage, gift, let and rent the machinery for the period of five years from the date of purchase of machinery.

As at 31 March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
27. Deferred taxation				
Balance at the beginning of the year	22,254	30,833	29,008	35,676
Charge for the year	(1,190)	(8,579)	(1,613)	(6,668)
Balance at the end of the year	21,064	22,254	27,395	29,008
27.1 Deferred tax asset	(9,395)	(9,395)	-	-
Deferred tax liability	30,459	31,649	27,395	29,008
	21,064	22,254	27,395	29,008

27.2 The effective tax rate of 27% (2017-27%), 22% (2017-27.6%) and 7% (2017-nil) were applied respectively by the Company and Subsidiaries: Ceymac Rubber Company Limited and Ceytra (Private) 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	2018		2017	
Group	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	245,633	39,773	293,430	70,778
On retirement gratuity	(64,207)	(5,478)	(42,465)	(10,422)
On tax losses carried forward	(157,719)	(28,968)	(159,088)	(38,102)
	23,707	5,327	91,877	22,254
Company				
On property, plant and equipment	120,050	31,213	124,891	33,721
On retirement gratuity	(14,685)	(3,818)	(17,454)	(4,713)
	105,365	27,395	107,437	29,008

27.4 Unrecognised deferred tax assets

Current year recognision of deferred tax asset - Ceytra Limited

Deferred tax asset have 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 :

	2018		2017	
	Temporary differences Rs.000's	Temporary differences Rs.000's	Temporary differences Rs.000's	Temporary differences Rs.000's
On property, plant and equipment	374	26	798	215
On retirement gratuity	(4,487)	(308)	(3,040)	(819)
On tax losses carried forward	(48,965)	(3,364)	(53,373)	(14,380)
	(53,078)	(3,646)	(55,615)	(14,984)

Deferred tax asset amounting to Rs.3.6 million was not recognised in the current year with an effective rate of 27%.

Deferred tax asset - Kelani Valley Canneries Limited

Kelani Valley Canneries Limited has not recognised the deferred tax asset amounting to Rs.64 million (2017-Rs.64 million) for the year ended 31 March 2018, as 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 :

	2018		2017	
	Temporary differences Rs.000's	Temporary differences Rs.000's	Temporary differences Rs.000's	Temporary differences Rs.000's
On property, plant and equipment	30,478	8,534	18,221	5,102
On retirement gratuity	(4,829)	(1,352)	(3,698)	(1,035)
On tax losses carried forward	(254,732)	(71,325)	(244,971)	(68,592)
	(229,083)	(64,143)	(230,448)	(64,525)

	Group		Company	
As at 31 March	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
28. Interest bearing short term borrowings				
Short term money market loans	1,262,784	930,629	1,121,801	792,629
	1,262,784	930,629	1,121,801	792,629
28.1 Sources of finance				
Hatton National Bank PLC	333,983	398,000	265,000	325,000
Commercial Bank of Ceylon PLC	367,000	271,500	295,000	206,500
NDB Bank PLC	316,801	-	316,801	-
Standard Chartered Bank	245,000	261,129	245,000	261,129
	1,262,784	930,629	1,121,801	792,629

28.2 Assets pledged as securities against short term borrowings

Lending Institution	Facility Obtained	Asset 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
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	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
29. Income tax payable				
Balance at the beginning of the year	68,629	55,855	67,531	55,855
Add:				
Income tax provision for the year	92,015	120,471	90,479	119,372
Under/(over) provision in respect of previous year	(4,140)	33	(4,140)	33
Less:				
Income Tax/ESC Payments during the year	(119,451)	(107,730)	(117,967)	(107,729)
Balance at the end of the period	35,053	68,629	35,903	67,531

As at 31 March		Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
30. Trade and other payables					
Trade payables to related parties	(Note 30.1)	256,327	53,674	369,346	71,862
Other trade payables		309,072	499,952	254,098	466,943
Dividends payable		6,510	5,887	6,510	5,712
Accruals		44,897	40,707	39,402	32,168
Pre-paid advances		40,463	47,582	40,463	44,759
Sundry creditors		911	5,040	911	5,040
VAT and NBT Payables		14,237	11,947	11,173	7,847
Other provisions		136,192	143,521	130,653	140,640
Other payables		9,351	8,802	2,931	2,685
		817,960	817,112	855,487	777,656

30.1 Trade payables to related parties:

	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
Colombo Fort Group Services (Private) Limited	676	1,481	676	1,484
Kelani Valley Canneries Limited	-	-	2,491	18,722
Union Commodities (Private) Limited	33,161	51,632	33,509	51,632
Ceylon Tapes (Private) Limited	-	144	-	-
J F Packaging (Private) Limited	-	61	-	-
Carplan Limited	14	27	14	27
Colonial Motors (Ceylon) Limited	123	-	123	-
Sunquick Lanka (Private) Limited	202,788	-	312,968	-
Kiffs (Private) Limited	19,565	-	19,565	-
Lankem Ceylon PLC	-	329	-	-
	256,327	53,674	369,346	71,862

The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at the rate of 12% per annum, (2017:12%).

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.

C. W. Mackie Group of Companies carried out transactions during the year under review in the ordinary course of business with the related entities under terms and conditions equivalent to those that prevail in arm's length transactions, unless otherwise stated.

31.1.1 Transactions with subsidiary companies

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/Received	
For the year ended 31 March			2018 Rs.000's	2017 Rs.000's
Ceymac Rubber Company Limited	Subsidiary	Interest on current account balance	367	198
		Inter company sales	(6,933)	-
		Service fees	7,592	7,440
Director:		Export handling fee	18,235	19,534
Mr. W. T. Ellawala		Fund transfers	-	(32,132)
		Expense reimbursements	4,124	14,310
		Rental paid	(1,624)	(1,057)
		Inter company settlements	(22,133)	(6,943)

Corporate guarantee of C.W. Mackie PLC for packing credit/short loans and export bill discounting facilities of Rs.99 million to Hatton National Bank PLC.

Ceytra (Private) Limited	Subsidiary	Interest on current account balance	83	83
		Service fees	2,939	2,880
		Inter company sales	32	32
Director :		Inter company settlements	(7,114)	2,690
Mr. W. T. Ellawala,		Expense reimbursements	4,637	(4,637)

Corporate guarantee of C.W. Mackie PLC for packing credit/short term loans and export bill discounting facilities of Rs.8 million to Hatton National Bank PLC.

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/Received	
For the year ended 31 March			2018 Rs.000's	2017 Rs.000's
Kelani Valley Canneries Limited	Subsidiary	Inter company purchases	(178,719)	(157,750)
		Inter company sales	36,648	48,199
Director :		Expense reimbursements	17,347	6,446
Mr. W. T. Ellawala		Net settlements	138,984	91,103
Dr. T. Senthilverl		Service fee	1,971	1,680
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.

Sunquick Lanka Properties (Private) Limited	Subsidiary	Assets transfers	217,000	-
		Net settlements	90,000	-
Director :		Investment related transaction	(307,000)	-
Mr. W. T. Ellawala				
Mr. K. T. A. Mangala Perera				

31.1.2 Transactions with other related companies

Sunquick Lanka (Private) Limited	Jointly	Inter company purchases	(1,146,081)	-
Directors :	controlled	Inter company sales	147,516	-
Mr. W. T. Ellawala	entity	Expense reimbursements	221,038	-
Mr. K. T. A. Mangala Perera		Net settlements	608,719	-
		Assets transfers	271,270	-
		Investment related transaction	(307,840)	-
		Services rendered	2,591	-
Ceylon Trading Company Limited	Affiliate	Rent income	2,100	2,100
		Inter company sales	17	-
Directors :		Expense reimbursements	819	-
Mr. W. T. Ellawala		Secretarial and legal fees	(18,287)	(16,211)
Ms. C. R. Ranasinghe		Management fees/overheads	(15,932)	(16,377)
		Net settlements	30,886	30,823

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/Received	
For the year ended 31 March			2018 Rs.000's	2017 Rs.000's
Maersk Lanka (Private) Limited	Affiliate	Recovery of overheads	-	150
Director :				
Mr. W. T. Ellawala				
Kotagala Plantations PLC	Common	Purchase of rubber through	-	88,548
Directors :	directors	commodity		
Mr. R. C. Peries		brokers at the auction		
Mr. S. D. R. Arudpragasam				
Mr. A. Rajaratnam				
Colombo Fort Group Services	Common	Services received	11,010	9,193
(Private) Limited	directors	Net settlements	(11,815)	(7,712)
Directors :				
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
Union Commodities (Private) Limited	Common	Inter company purchases	(280,160)	(221,478)
Directors :	directors	Inter company sales	757	156
Mr. S. D. R. Arudpragasam		Net settlements	297,873	189,876
Mr. Anushman Rajaratnam				
Lankem Ceylon PLC	Common	Inter company purchases	(427)	(1,709)
Directors :	directors	Net settlements	756	2,027
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
E. B. Creasy & Company PLC	Common	SAP Expense reimbursements	(4,358)	(3,566)
Directors :	directors	Inter company sales	240	673
Mr. A. Rajaratnam		Net settlements	4,249	2,874
Mr. S. D. R. Arudpragasam				
Carplan Limited	Common	Inter company purchases	(27)	(672)
	directors	Services received	(94)	-
Directors :		Net settlements	134	824
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/Received	
For the year ended 31 March			2018 Rs.000's	2017 Rs.000's
C. W. Mackie Group Staff Non-Contributory Gratuity Fund	Defined benefit plan	Amount paid to gratuity fund	(10,614)	(8,117)
		Amount paid by gratuity fund to employees	8,349	5,557
Lanka Special Steel Limited	Common	Inter company sales	-	37
	directors	Net settlements	(37)	-
Directors :				
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
York Hotel Management Services Limited	Common	Inter company sales	70	62
Director :	directors	Net settlements	(34)	(13)
Mr. A. Rajaratnam				
Marawila Resorts PLC	Common	Inter company sales	-	556
Directors :	directors	Net settlements	-	(1,312)
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Beruwala Resorts Limited	Common	Inter company sales	956	95
Directors :	directors	Net settlements	(821)	(49)
Mr. A. Rajaratnam ,				
Mr. S. D. R. Arudpragasam				
Creasy Foods Limited	Common	Inter company sales	-	15,225
Directors :	directors	Net settlements	-	(22,505)
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
J F Packaging (Private) Limited	Common	Inter company purchases	(897)	-
Directors :	directors	Net settlements	958	-
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				

Name of the Related Party	Relationship	Nature of the Transaction	Amounts (Paid)/Received	
For the year ended 31 March			2018 Rs.000's	2017 Rs.000's
Colonial Motors (Ceylon) Limited	Common	Inter company purchases	(10,134)	-
Directors :	directors	Services received	(314)	-
Mr. A. Rajaratnam		Net settlements	10,325	-
Mr. S. D. R. Arudpragasam				
Kiffs (Private) Limited	Common	Inter company purchases	(80,122)	-
Directors :	directors	Net settlements	60,557	-
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Ceylon Tapes (Private) Limited	Common	Inter company purchases	(196)	-
Directors :	directors	Net settlements	340	-
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				

For the year ended 31 March	Group 2018 Rs.000's	Group 2017 Rs.000's	Company 2018 Rs.000's	Company 2017 Rs.000's
31.2 Compensation of key management personnel				
Key management personnel include members of the Board of Directors of the Company and its subsidiaries.				
Short-term employee benefits	28,301	25,918	25,792	23,710
Total compensation paid to key management personnel	28,301	25,918	25,792	23,710

32. Events after the reporting date

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 2018 for approval by the shareholders at the Annual General Meeting to be held on 28 June 2018. 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 2018.

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

33. Contingent liabilities

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

Outstanding as at 31 March	2018 Rs.Mn	2017 Rs.Mn
Letters of comfort and guarantees provided on behalf of the subsidiaries		
Ceymac Rubber Company Limited	99	99
Ceytra (Private) Limited	8	8
Kelani Valley Canneries Limited	90	90
Total	197	197

Outstanding short term loan facility	2018 Rs.Mn	2017 Rs.Mn
Ceymac Rubber Company Limited	69	72
Kelani Valley Canneries Limited	72	65
Total	141	137

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 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 has 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 (GMC) and the Board 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	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Trade receivables from related parties	529	662	6,120	6,048
Trade receivables	2,093,297	1,849,568	1,938,387	1,694,669
Deposits	8,127	7,958	7,180	7,111
Loans to employees	19,656	18,125	7,103	7,497
Other receivables	337,635	259,909	276,855	233,122
Balances with banks	196,997	86,716	65,502	81,926
Total	2,656,241	2,222,938	2,301,147	2,030,373

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.

Impairment losses

The Company 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	2018		2017	
Group	Gross balance Rs.000's	Impairment Rs.000's	Gross balance Rs.000's	Impairment Rs.000's
Past due 0-30 days	1,213,937	-	1,718,558	-
Past due 31-90 days	566,934	-	75,233	1,752
Past due 91-365 days	313,142	187	67,991	9,800
More than one year	35,891	35,891	19,756	19,756
Total	2,129,904	36,078	1,881,538	31,308
Company				
Past due 0-30 days	1,029,138	-	1,576,558	-
Past due 31-90 days	564,165	-	73,517	1,752
Past due 91-365 days	315,032	3,828	61,639	9,246
More than one year	30,132	30,132	18,705	18,705
Total	1,978,467	33,960	1,730,419	29,703

The Company holds collateral 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 follow:

	Carrying amount			
	Group		Company	
As at 31 March	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Domestic	1,912,221	1,627,491	1,804,876	1,508,411
Asian region	29,860	85,805	12,651	66,187
European region	137,510	80,516	122,659	74,166
African region	14,235	11,051	4,321	1,797
Latin American region	-	17,531	-	17,531
Northern American region	-	27,174	-	26,577
Total	2,093,826	1,849,568	1,944,507	1,694,669

Held to maturity investments

The Group has invested Rs.0.36 million 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.298.6 million (2017-Rs.88.3 million) and Rs.66.5 million (2017-Rs.83.3 million) retrospectively at 31 March 2018 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	2018 Rs.Mn	2017 Rs.Mn
Letters of comfort and guarantees provided on behalf of the subsidiaries		
Ceymac Rubber Company Limited	99	99
Ceytra (Private) Limited	8	8
Kelani Valley Canneries Limited	90	90
Total	197	197

Outstanding short term loan facility	2018 Rs.Mn	2017 Rs.Mn
Ceymac Rubber Company Limited	72	72
Kelani Valley Canneries Limited	65	65
Total	137	137

36.2 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 2018, Group has unutilised banking facilities amounting to Rs.222 million (2017-Rs.373 million) representing 13% (2017-27%) 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:

As at 31 March	2018			2017		
	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
Group						
Financial liabilities (non derivatives)						
Long term borrowings	4,045	1,376	2,669	4,901	1,376	3,525
Interest bearing short term borrowings	1,262,784	1,262,784	-	930,629	930,629	-
Trade and other payable	561,633	561,633	-	763,438	763,438	-
Trade payables to related parties	256,327	256,327	-	53,674	53,674	-
Bank overdraft	126,269	126,269	-	76,439	76,439	-
Total	2,211,058	2,208,389	2,669	1,829,081	1,825,556	3,525
Company						
Interest bearing short term borrowings	1,121,801	1,121,801	-	792,629	792,629	-
Trade and other payable	486,141	486,141	-	705,794	705,794	-
Trade payables to related parties	369,346	369,346	-	71,862	71,862	-
Bank overdraft	101,072	101,072	-	48,146	48,146	-
Total	2,078,360	2,078,360	-	1,618,431	1,618,431	-

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	2018		2017	
	USD	Euro	USD	Euro
Group				
Trade and other payables	(154,113)	(67,683)	(271,362)	(1,132,315)
Trade and other receivables	1,152,450	99,759	976,232	224,824
Cash and cash equivalents	136,251	15,008	488,535	9,838
Gross statement of financial position exposure	1,134,588	47,084	1,193,405	(897,653)
Company				
Trade and other payables	(154,113)	(67,683)	(271,362)	(1,132,315)
Trade and other receivables	929,840	55,910	776,378	190,980
Cash and cash equivalents	12,780	14,075	481,740	9,719
Gross statement of financial position exposure	788,507	2,302	986,756	(931,616)

The following significant exchange rates were applicable during the year:

	Average rate		Reporting date spot rate	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
USD	153.51	147.29	155.60	152.10
Euro	172.58	161.60	191.67	163.55

Sensitivity Analysis

A strengthening or weakening of the LKR, as indicated below, against the USD and Euro at 31 March 2018 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 2018		
USD (10% movement)	17,654	(17,654)
Euro (10% movement)	902	(902)
As at 31 March 2017		
USD (10% movement)	(18,152)	18,152
Euro (10% movement)	14,681	(14,681)
Company		
As at 31 March 2018		
USD (10% movement)	12,269	(12,269)
Euro (10% movement)	44	(44)
As at 31 March 2017		
USD (10% movement)	(15,009)	15,009
Euro (10% movement)	15,237	(15,237)

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	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Fixed rate instruments				
Financial assets				
Related party receivables - subsidiaries	-	-	5,591	5,386
Financial liabilities				
Related party payables - subsidiaries	-	-	(2,491)	(18,722)
	-	-	3,100	(13,336)
Variable rate instruments				
Financial assets				
RFC deposits	24,077	75,915	4,686	74,862
Fixed deposits	-	-	-	-
Financial liabilities				
Long term borrowings	(4,045)	(4,901)	-	-
Bank overdrafts	(126,269)	(76,439)	(101,072)	(48,146)
Short term money market borrowings	(1,262,784)	(930,629)	(1,121,801)	(792,629)
	(1,369,021)	(936,054)	(1,218,187)	(765,913)

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	2018 Profit or Loss Rs.000's	2017 Profit or Loss Rs.000's
Group		
Variable rate instruments (1% decrease)	13,690	9,361
Variable rate instruments (1% increase)	(13,690)	(9,361)
Company		
Variable rate instruments (1% decrease)	12,182	7,659
Variable rate instruments (1% increase)	(12,182)	(7,659)

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 behavior. 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	2018 Rs.000's	2017 Rs.000's	2018 Rs.000's	2017 Rs.000's
Total liabilities	2,344,413	1,972,311	2,173,736	1,732,424
Less:				
Cash and cash equivalents	(298,622)	(88,268)	(66,852)	(83,294)
Net debts	2,045,791	1,884,043	2,106,884	1,649,130
Total equity	2,211,763	2,138,716	2,380,059	2,284,788
Net debt to equity ratio	0.92	0.88	0.89	0.72

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.

	2018		2017	
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	529	529	662	662
Trade receivables and other receivable	2,458,715	2,458,715	2,135,560	2,135,560
Cash and cash equivalents	298,622	298,622	88,268	88,268
	2,757,866	2,757,866	2,224,490	2,224,490
Liabilities				
Interest bearing long term borrowings	4,045	4,045	4,901	4,901
Interest bearing short term borrowings	1,262,784	1,262,784	930,629	930,629
Trade payables to related parties	256,327	256,327	53,674	53,674
Trade and other payable	561,633	561,633	763,438	763,438
Bank overdraft	126,269	126,269	76,439	76,439
	2,211,058	2,211,058	1,829,081	1,829,081
Company				
Assets				
Trade receivables from related parties	6,120	6,120	6,048	6,048
Trade receivables and other receivable	2,229,525	2,229,525	1,942,399	1,942,399
Cash and cash equivalents	66,852	66,852	83,294	83,294
	2,302,497	2,302,497	2,031,741	2,031,741
Liabilities				
Interest bearing short term borrowings	1,121,801	1,121,801	792,629	792,629
Trade payables to related parties	369,346	369,346	71,862	71,862
Trade and other payable	486,141	486,141	705,794	705,794
Bank overdraft	101,072	101,072	48,146	48,146
	2,078,360	2,078,360	1,618,431	1,618,431

Ten Year
Historical Summary

Year	31 December 2008 (Rs.'000)	2009 (Rs.'000)	2011 (Rs.'000)	31 March 2012 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)
OPERATING RESULTS										
Revenue	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	9,973,563
Results from operating activities	149,945	282,895	415,428	588,635	306,936	374,629	326,484	409,788	416,439	423,926
Net financing costs	(100,472)	(97,936)	(64,987)	(77,604)	(58,836)	(62,146)	(52,711)	(7,865)	(67,371)	(96,728)
Other operating expenses	(51)	-	-	-	-	-	-	-	-	-
Profit before taxation	49,422	184,959	350,441	511,031	248,100	312,483	273,773	401,923	349,068	306,329
Income tax expense	(3,297)	(66,286)	(94,232)	(115,972)	(84,587)	(103,154)	(94,318)	(123,401)	(111,937)	(86,685)
Profit after tax	46,125	118,673	256,209	395,059	163,513	209,329	179,455	278,522	237,131	219,816
Non-controlling interests	(702)	(11,820)	(1,592)	(2,296)	(1,503)	(1,013)	10,244	6,729	(654)	(1,252)
Profit for the year	45,423	106,853	254,617	392,763	162,010	208,316	189,699	285,251	236,477	218,564
FINANCIAL POSITION										
Assets										
Non-current assets	761,223	746,698	785,969	853,776	852,228	886,279	880,463	864,854	812,094	1,358,359
Current assets	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	3,522,086
Total assets	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	4,880,445
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	458,809	444,359	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734
Revenue reserves	(69,714)	24,598	706,808	1,018,527	1,144,983	1,247,551	1,320,112	1,502,686	1,622,935	1,695,982
Available-for-sale reserve	-	-	1,172	1,014	1,115	1,094	1,236	-	-	-
Equity attributable to equity holders of the company	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	2,211,763
Non-controlling interests	14,133	25,953	26,620	28,397	29,817	46,190	34,615	28,031	29,009	324,269
Total equity	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	2,536,032
Non-current liabilities	166,460	183,678	205,572	185,157	159,093	150,545	122,473	92,038	78,039	98,692
Current liabilities	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	2,245,722
Total equity and liabilities	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	4,880,445
RATIOS										
Basic earnings per share (Rupees)	1.26	2.97	7.07	10.66	4.50	5.79	5.27	7.93	6.57	6.07
Revenue growth rate (%)	20.7	(13.2)	101.5	4.1	(21)	(4.0)	3.7	3.0	12.4	12.9
Net profit ratio (%)	0.9	2.3	2.7	4.0	2.1	2.8	2.5	3.6	2.7	2.2
Current ratio (1:)	1.37	1.62	1.43	1.58	1.90	1.75	1.94	1.84	1.76	1.56
Net asset per share (Rupees)	24.90	27.12	34.00	42.66	46.18	49.03	51.05	56.09	59.43	61.46
Net return on capital employed (%)	13.9	23.9	28.5	33.7	16.6	19.1	16.4	19.2	18.5	16.1
Dividends per share (Rupees)	0.75	1.00	1.00	2.00	1.00	3.00	3.00	3.00	3.50	3.50
Dividend payout ratio (%)	59	34	14	19	22	52	57	38	53	58

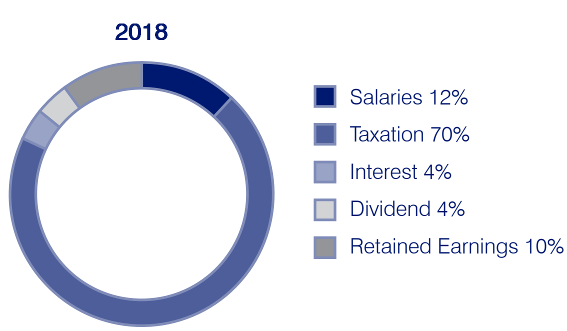
Consolidated Statement of Value Added

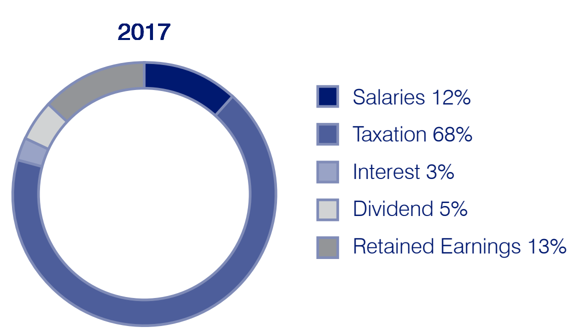
Organisations utilise raw materials and other inputs to create a saleable product. The difference between the sales income and the cost of bought-in-materials and services is generally regarded as the value added by the organisation. Value added, therefore, denotes the contribution made to the nation's 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	2018 Rs. Mn	2017 Rs. Mn
Value added		
Sales made to external customers	9,973.6	8,837.4
Less: material and services bought in from outside	(7,274.1)	(6,296.9)
	2,699.5	2,540.5
Add: other income/expenses (net)	278.3	132.0
Total value added available for distribution	2,977.8	2,672.5

	2018 Rs. Mn		%	2017 Rs. Mn		%
Distribution of value added						
To employees						
-Wages, salaries and benefits		348.9	11.7		319.2	11.9
Taxation to government						
-Import duties and VAT/NBT	1,934.0			1,619.8		
-Export duties	13.0			41.5		
-Income tax	86.6			120.5		
-Economic service charge	50.0	2,089.0	70.0	29.6	1,811.4	67.8
To lenders						
-Interest		105.8	3.6		70.1	2.6
Providers of equity capital						
-Dividends		126.0	4.2		126.0	4.7
Retained in business						
-Depreciation on fixed assets	114.2			99.6		
-Retained earnings	199.0	308.9	10.5	246.2	345.8	12.9
Total value added distributed		2,978.6	100.0		2,672.5	100.0
No. of employees in Group		554			582	
Value added per employee (Rs' 000)		5,377			4,592	





Investor Information

Financial Calendar

Ninety Fifth Annual General Meeting	-	28 June 2017

Interim Reports

First Quarterly Report 3 months to 30 June 2017	-	14 August 2017
Second Quarterly Report 6 months to 30 September 2017	-	8 November 2017
Third Quarterly Report 9 months to 31 December 2017	-	6 February 2018
Fourth Quarterly Report 12 months to 31 March 2018	-	23 May 2018
Annual Report - Financial Year 2018	-	24 May 2018
Ninety Sixth Annual General Meeting	-	28 June 2018

Distribution Schedule of Shareholders

	31 March 2018			31 March 2017		
Holdings (Shares)	No. of Holders	Total Shares	Holdings %	No. of Holders	Total Shares	Holdings %
1 - 1,000	1,710	356,619	0.99	1,706	358,187	0.99
1,001 - 10,000	230	784,219	2.17	226	750,978	2.09
10,001 - 100,000	43	1,363,186	3.79	42	1,542,083	4.28
100,001 - 1,000,000	8	2,802,146	7.79	7	2,654,922	7.38
Over - 1,000,000	5	30,682,386	85.26	5	30,682,386	85.26
	1,996	35,988,556	100	1,986	35,988,556	100

Twenty Largest Shareholders

As at 31 March		2018		2017	
Name of Shareholder		No. of Shares (Voting)	%	No. of Shares (Voting)	%
1	National Development Bank PLC/Lankem Ceylon PLC	16,000,000	44.46	16,000,000	44.46
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	2,137,526	5.94
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 (Private) Limited/ Union Investment (Private) Limited	950,000	2.64	950,000	2.64
7	Amana Bank PLC	906,788	2.52	896,437	2.49
8	Corporate Holdings (Private) Limited Account No. 1	225,802	0.63	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	People's Leasing and Finance PLC/Mr. L. P. Hapangama	154,716	0.43	132,843	0.37
12	Employees Provident Fund	139,740	0.39	139,740	0.39
13	Harnam Holdings SDN BHD	115,000	0.32	100,000	0.28
14	Ms. N. Harnam	100,000	0.28	100,000	0.28
15	Sir F. I. Rahimtoola	90,000	0.25	90,000	0.25
16	Seylan Bank PLC/Mr. L.C.R. Pathirana	60,408	0.17	60,397	0.17
17	Mr. Z. G. Carimjee	60,200	0.17	60,200	0.17
18	HSBC International Nominees Limited-SSBT-Deustche Bank	60,018	0.17	60,018	0.17
19	Union Investments (Private) Limited	60,000	0.17	60,000	0.17
20	Oakley Investments (Private) Limited	53,239	0.15	53,239	0.15

Categories of Shareholders

As at 31 March	2018			2017		
Categories	No. of Holders	Share Holding	Total %	No. of Holders	Share Holding	Total %
Individuals	1,897	2,986,069	8.30	1,878	2,040,743	5.67
Institutions	99	33,002,487	91.70	108	33,947,813	94.33
	1,996	35,988,556	100.00	1,986	35,988,556	100.00
Public	1,982	3,976,529	11.05	1,979	5,305,170	14.74

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Ninety Sixth 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 Thursday, 28 June 2018 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 2018 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. Alagarajah Rajaratnam, 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. H. D. S. Amarasuriya, 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
24 May 2018

Note:

* A Notice dated 17 May 2018 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 retires by rotation in terms of Article 89 of the Articles of Association and 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. Alagarajah Rajaratnam"

** A Notice dated 17 May 2018 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 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 Mr. William Tissa Ellawala."

*** A Notice dated 17 May 2018 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 eight 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 17 May 2018 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 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 Mr. Ranjit Crisantha Peries."

***** A Notice dated 17 May 2018 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. Amarsuriya 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 is seventy four 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. H. D. S. Amarasuriya ."

****** A Notice dated 17 May 2018 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 two 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 2018.

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 Sixth Annual General Meeting of the Company to be held on Thursday, 28 June 2018 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 2018 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. Alagarajah Rajaratnam, 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. Mr. H. D. S. Amarasuriya, 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, CharteredAccountants, as Auditors to the Company and authorise the Directors to determine their remuneration.		

Signed this ……………….day of ………………………2018.

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.

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 2018 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 (Upto 19 September 2017)
Chief Financial Officer

G. A. de Silva
Director/Chief Operating Officer
Ceytra (Private) Limited and
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 - Group Treasury

Ms. Chandima Welengoda
General Manager - Group Finance (from 31 August 2017)

P. Pavalachandran
General Manager - Group Financial Services (from 1 October 2017)

Concept & Designed by
Copyline
a great equation
Printed by Printel (Pvt) Ltd

C. W. Mackie PLC
No. 36, D. R. Wijewardena Mawatha
Colombo 10
Sri Lanka.

www.cwmackie.com