ENDURANCE

THE KEY TO LONGEVITY

Estd - 1900

C. W. MACKIE PLC

ANNUAL REPORT 2018/19

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ENDURANCE

THE KEY TO LONGEVITY

To endure is to be relentless in the pursuit of your vision, without giving way, no matter the circumstance. Over the course of 119 years, our capacity to withstand the test of time and uphold our legacy of excellence continues to abound. Our diversified interests and long-term focus teamed with our dedicated workforce has solidified our place in the industry as one of the country's leading trading houses. The year ahead will see us continuing to maximise our outputs by leveraging the passion of our people, state-of-the-art technology and our footprint in numerous industries. We look forward to improving each sector we have a vested interest in by raising both our standards and expectations. Regardless of what lies on our path ahead, we will continue to endure.

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 optimising 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, rock drilling equipment and tools and power generators;
Import and sale of refrigeration and air-conditioning equipment, components, accessories and refrigerant gases;
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.601,960,800
Number of Shares Issued: 6,019,608
Group Interest: 51%

Owns the land and buildings of the Sunquick Plant in Horana.

ASSOCIATE

SUNQUICK LANKA (PRIVATE) LIMITED

Stated Capital: Rs. 628,244,900
Number of shares issued: 6,282,449
Group Interest: 49%

Bottling of "Sunquick" range of fruit squashes.

ABOUT US

FMCG

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

MANUFACTURING

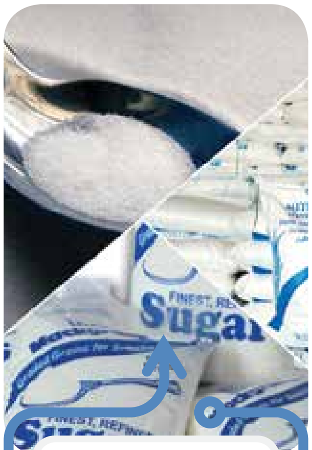
Engages in manufacture, sale and export of technically specified rubber (TSR), sole crepe and moulded rubber products

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 in 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 servicing 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 electrodes, wires, welding equipment, rock drilling and power generation equipment and tools

HISTORICAL NOTE

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

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

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

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

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

The C. W. Mackie PLC Group presently consists of C. W. Mackie PLC and 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, rock drilling equipment and tools, power generators; refrigeration and air-conditioning equipment, components, accessories and refrigeration gases.

"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."

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.

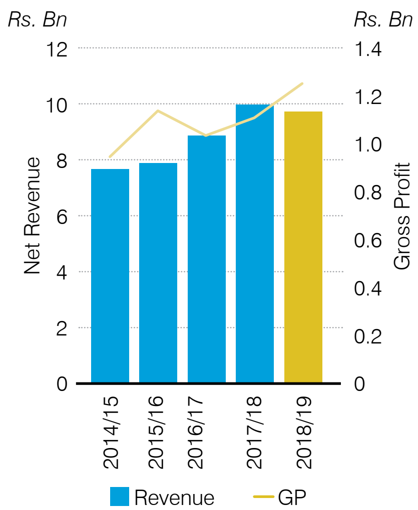
AU/CTC shares acquired by Lankem Ceylon PLC and a connected party.

FINANCIAL HIGHLIGHTS

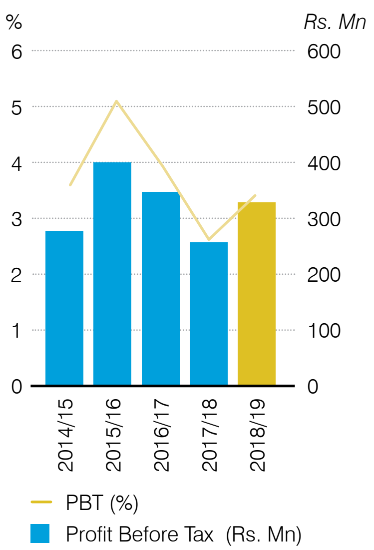
For the year ended 31 March		2019	2018	Change %
Operating Highlights and Ratios				
Group revenue	Rs. 000's	9,695,319	9,919,740	-2%
Group gross profit	Rs. 000's	1,284,407	1,110,755	16%
Group profit before tax	Rs. 000's	330,484	256,532	29%
Group profit after tax	Rs. 000's	216,470	169,847	27%
Profit attributed to parent company	Rs. 000's	203,468	168,595	21%
Group earnings per share	Rs.	5.65	4.68	21%
Dividend per share*	Rs.	3.50	3.50	0%
Interest cover ratio	No. of times	2.61	3.51	-26%
Net return on capital employed	%	13.31	13.67	-3%
Earnings per share	Rs.	5.65	4.68	21%
Group foreign exchange earnings	Rs. 000's	1,959,470	2,039,283	-4%
Contribution to government revenue	Rs. 000's	1,425,600	2,082,700	-32%
Group value added	Rs. 000's	3,262,800	2,629,300	-6%
Value added per employee	Rs. 000's	6,009	5,144	-5%
Balance Sheet Highlights and Ratios				
Total assets	Rs. 000's	5,736,091	4,972,167	15%
Total shareholders' funds	Rs. 000's	2,597,763	2,136,601	22%
Total debt	Rs. 000's	1,355,659	1,394,335	-3%
Current ratio	1:	1.58	1.53	3%
Net asset value per share	Rs.	72.18	59.37	22%
Debt/equity	%	52%	65%	-20%
Debt/total assets	%	24%	28%	-16%
Group capital expenditure	Rs. 000's	236,621	121,188	95%
Market / Shareholder Information				
Market value per share				
- at year end	Rs.	40.40	48.60	
- during the year - Highest	Rs.	44.90	49.80	
- during the year - Lowest	Rs.	37.00	44.00	
Dividend payout ratio	%	62%	75%	
Dividend yield	%	9%	7%	
Price earnings ratio (PER)	No. of times	7.15	10.37	
General				
Number of employees in Group		543	554	
Value in Rs. at official exchange rate	United States Dollar	176.25	155.60	
	Pound Sterling	230.30	219.53	
	Euro	197.92	191.67	

* Cash dividends paid during the year

Group Revenue and Gross Profit



Profit Before Tax



Rs. 1.3 Bn

GROSS PROFIT

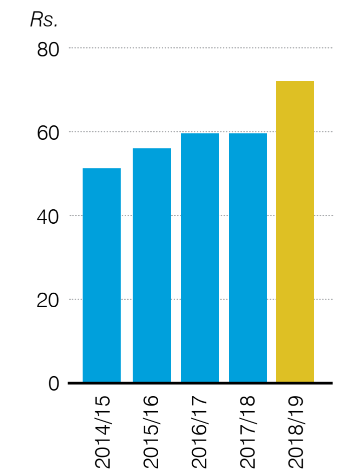
Rs. 5.7 Bn

TOTAL ASSETS

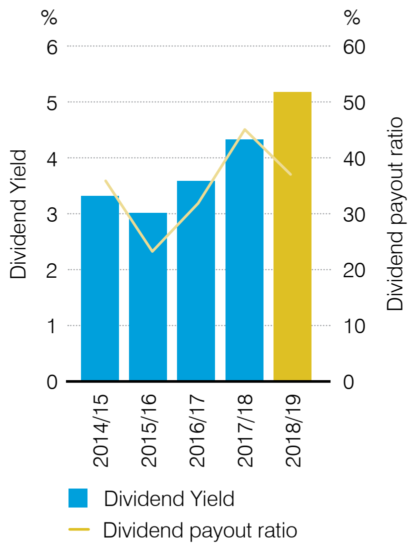
Rs. 216.4 Mn

GROUP PROFIT AFTER TAX

Net Asset Per Share



Dividend Yield and Payout Ratio



Rs. 2.6Bn

SHAREHOLDERS' FUNDS

Rs. 72.18

NET ASSET PER SHARE

Rs. 5.65

BASIC EARNINGS PER SHARE

UNRELENTING

CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW

"The FMCG segment which accounts for over 80% of revenue will be the key growth driver amidst strong demand dynamics. The Company has taken steps to diversify its product portfolio by acquiring agencies in personal and household care segments which could benefit from rising per capita income levels in the country."

On behalf of the Board of Directors I am pleased to welcome you to the Ninety Seventh 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 2019.

FINANCIAL RESULTS

Group Gross Profit

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

	Group	
	Year ended 31 March 2019 Rs. Million	Year ended 31 March 2018 Rs. Million
C. W. Mackie PLC	1,132.4	999.5
Ceymac Rubber Company Limited	96.6	54.5
Ceytra (Private) Limited	14.5	17.0
Kelani Valley Canneries Limited	40.9	39.7
	1,284.4	1,110.7

Group Results from Operating Activities

The Group's result from operating activities for the period under review was Rs.394.8 million.

Group Profit Before Tax

The Group's ordinary activities resulted in a profit before tax of Rs.330.5 million for the financial year ended 31 March 2019 as given hereunder:

	Group	
	Year ended 31 March 2019 Rs. Million	Year ended 31 March 2018 Rs. Million
Profit from operating activities	394.8	373.9
Less: Net financing cost	(110.9)	(96.7)
Shares of joint venture's profit (loss)	46.6	(20.7)
Profit before taxation	330.5	256.5

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 2019 was Rs.608.6 million and is shown in the following analysis:

	Group	
	Year ended 31 March 2019 Rs. Million	Year ended 31 March 2018 Rs. Million
Group profit from operating activities	394.8	373.9
Less: Net financing cost	(110.9)	(96.7)
Share of joint venture's (loss)/profit	46.6	(20.7)
Group profit before taxation	330.5	256.5
Tax expense	(114.0)	(86.7)
Group profit after taxation	216.5	169.8
Other comprehensive income	392.1	(20.1)
Group total comprehensive income	608.6	149.7
Non-controlling interests	(21.5)	(0.7)
Equity holders of the parent Company	587.1	149.0

OVERALL PERFORMANCE

C. W. Mackie PLC (Parent Company)

The Company's net revenue in the financial year ended 31 March 2019 was Rs.8,954.4 million. The profit from operating activities was Rs.389.3 million and the profit for the year, after charging income tax of Rs.104.9 million, was Rs.201.2 million.

C. W. Mackie PLC (Group)

The Group's consolidated net revenue for the financial year ended 31 March 2019 was Rs.9,695.3 million as compared with Rs.9,919.7 million in 2018. The major contribution towards the consolidated net revenue was from FMCG sales and distribution activities of Rs.3,934.8 million.

The results from operating activities was Rs.394.8 million and the net profit for the period, after charging income tax of Rs.114.0 million, was Rs.216.5 million.

INTERNAL TRADING

The FMCG segment which accounts for over 80% of revenue will be the key growth driver amidst strong demand dynamics.

The Company has taken steps to diversify its product portfolio by acquiring agencies in personal and household care segments which could benefit from rising per capita income levels in the country. The sugar trading business which mainly caters to large food service businesses in the country is expected to show modest growth stemming from end-market demand from confectionary and dairy products industries. The Company's marine paints and refrigeration and air-conditioning components segment, which accounts for about 8% of the revenue, will be key growth drivers supported by strong end market demand.

Increased port activity and expansion in ship building and ship repair facilities in the country augurs well for the marine paints activity, which is one of the three largest suppliers to the domestic and offshore market. Similarly, the refrigeration and air-conditioning components business will benefit from the consumer durables retailers shifting to assembling their products locally, as against importing goods, to mitigate currency risks. Top line growth in both these segments are expected to grow to double digit levels.

In the background of the rapid depreciation of the Sri Lanka Rupee against major currencies and rising import duties on consumer products, a two-pronged strategy has been developed to manufacture food and beverage products locally, i.e.

(1) Concentrate on developing new food and beverage products out of locally produced raw materials.

(2) Import raw materials attracting lower import duties and process such raw materials to finished goods by manufacturing locally.

This will improve competitiveness and enable expand market share.

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.3.7 billion and is principally derived from its distribution activities. After the operationalisation of the joint venture with Co-Ro A/S, Denmark in June 2017, the Company only distributes the Sunquick brand of fruit squashes. Turnover of the Sunquick range of products was Rs.1.9 billion on sales of 2.5 million litres. Sunquick is the brand leader with over 63% of the fruit squash and cordial market and is the highest contributor to FMCG revenue and profit. Net profit from the FMCG segment was Rs.102.7 million and Sunquick share is 53% of that.

During the year under review the Consumer Affairs Authority imposed a maximum retail price (MRP) on the sale and distribution of bottled drinking water. This restriction severely eroded margins on sales as manufacturers were compelled to absorb the rising costs of packaging material and other operating costs.

The imposition of the MRP also stalled an initiative to introduce Scan brand bottled drinking water in glass bottles because the price restriction made bottling drinking water in glass bottles uneconomical. This is a major set back to moving away from plastic to a more environmentally friendly option.

Production of Scan brand bottled drinking water for the year was 11.9 million litres and revenue Rs.253.2 million. The principal market for Scan bottled drinking water is the food service sector.

In the background of rising import duties on imported consumer products, the Company introduced a range of new products to the bakery and confectionary trade as part of its overall strategy of moving away from imported consumer products and substituting locally manufactured products.

The joint venture with Co-Ro A/S, Denmark to manufacture and market Sunquick brand Ready-to-Drink (RTD) products has progressed according to plan. The plant to manufacture RTD products is nearing completion and the RTD products manufactured in Sri Lanka are expected to be launched during Q1 of 2020. Test marketing in collaboration with Co-Ro A/S will begin prior to the formal launch.

Sugar

The Company traded 24,700 MT of sugar and achieved a turnover of Rs.2.7 billion. Sales were almost entirely to industrial users in the confectionary, bakery, fruit juice, dairy and carbonated drinks category.

Global sugar prices traded at relatively lower levels as compared to previous years and the Government of Sri Lanka maintained the import duty on sugar at a relatively stable level and this enabled to achieve better margins.

The net profit on sugar trading was Rs.57.7 million as compared with Rs.14.9 million in 2018 and reflects the easier market conditions that prevailed throughout most of the year.

During the year under review the Company embarked on a new initiative of providing warehousing and handling facilities for a fee to end users that import their own stocks of sugar. This enabled better capacity utilisation of warehouse space that the Company rents for its sugar operation and made a useful contribution to revenue and profit by way of a supplementary income stream.

Industrial Products

Following the phasing out of unprofitable product lines and focusing on its core business of importing and distributing a wider range of welding products and light engineering items, sales of industrial products achieved a sales growth of 15% recording a turnover of Rs.297.1 million.

The main driver of this sales growth was welding products. The target market has been rationalised and there is greater focus now on sales to end users in the construction, cement and sugar industries.

The traditional market for welding products continues to be the small hardware merchants, where margins are low and collection of sales proceeds slow and often difficult. Consequently, outstanding debtors has been a huge burden on financing costs and often margins have got wiped out after setting off of financing charges.

Low margins on sales and high financing costs due to difficulties in collecting sales proceeds impacted adversely on the business and resulted in a net loss of Rs.9.5 million.

A series of measures have been introduced to manage inventory levels, improve collection of sales proceeds and further diversify the customer base and these initiatives are expected to restore profitability to the industrial products activity.

Refrigeration and Air Conditioning Components (R&AC)

Sales in 2018-2019 increased marginally from Rs.242.6 million to Rs.255.5 million, but profits declined from Rs.31.0 million to Rs.11.2 million during the same period.

> "The joint venture with Co-Ro A/S, Denmark to manufacture and market Sunquick brand Ready-to-Drink (RTD) products has progressed according to plan. The plant to manufacture RTD products is nearing completion and the RTD products manufactured in Sri Lanka are expected to be launched during Q1 of 2020. Test marketing in collaboration with Co-Ro A/S will begin prior to the formal launch."

The R&AC was the main driver of the increased sales, but profitability was severely impaired by financing costs of maintaining high inventory levels.

This was mainly because anticipated orders for copper tubes from the construction industry failed to materialise.

The previously delayed orders of copper tubes are expected to be delivered in Q1 of 2019-2020 and the large inventory level is expected to be substantially reduced.

Several new initiatives to expand the R&AC business are being pursued and the prospects of the R&AC business being more profitable is encouraging.

Marine Paints

The marine paints and protective coating business produced an acceptable result, despite a sharp drop in sales to the ship building and ship repair industry. This was somewhat countervailed by strong sales growth to the construction sector.

Revenue was Rs.297.8 million and net profit Rs.61.6 million. As part of a diversification strategy, Hempel brand marine paints and protective coatings are now supplied to the telecommunication services sector, hydro electric power plants, petroleum storage tanks, highway construction projects and for refurbishing irrigation infrastructure. Sales to the ship building and ship repair industry is being further developed by supplying ship building and ship repair projects outside Sri Lanka in collaboration with Hempel Associates. Offshore sales are expected to contribute substantial supplementary income to the Hempel marine paints agency in Sri Lanka.

EXPORT TRADING

The Company's commodity trading business is confined to trading Natural Rubber (NR) and Desiccated Coconut (DC). Trading these commodities is currently severely constrained by the sharp decline in the availability of NR and DC. Also, the global demand for NR and DC has been weak as international prices have been much lower than Sri Lanka prices. In recent years more than 75% of NR output is being consumed by local rubber products manufacturers for export and sale locally. The exportable surplus of NR has correspondingly diminished.

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

In the year under review the export trading activities produced sales of a Rs.1.7 billion and net profit of Rs.83.7 million.

Natural Rubber (NR)

Rubber production in Sri Lanka was 82.6 million kgs. in 2018.

The total exports of all grades of rubber was 14.0 million kgs. The balance output of 68.6 million kgs. was consumed by local rubber products manufacturers. It is reported that local rubber products manufacturers imported 65.8 million kgs. for the manufacture of value-added products to meet the requirements of the rubber-based industries. Low rubber prices in the international market and low domestic production resulted in such a high level of raw rubber imports. The Company's exports and local sales to domestic rubber-based industries was 3.6 million kgs. and realised a gross trading profit of Rs.123.3 million.

Global market prices of NR declined in 2018 and rubber prices in the domestic market also showed a declining trend. The average price of ribbed smoked sheet (RSS) rubber declined by 8.2% to Rs.309/- per kg. and prices of latex crepe declined by 8.5% to Rs.321/70 per kg. This downward trend in prices is expected to persist well into 2019.

Desiccated Coconut (DC)

The total national output of coconut in 2018 is estimated at 2.62 billion nuts. It is also estimated that the household consumption of coconuts was 1.85 billion nuts thus leaving 7.7 million for processing into other coconut products.

During the year under review the coconut output is estimated to have increased by 7.1% due to the lagged effect of favourable rainfall experienced in the coconut growing areas in 2017. This resulted in the average farmgate price of a coconut coming down to Rs.60/- per nut.

As a result of the increase in the output of coconuts and the decline in the price of coconuts the average FOB price of DC in 2018 was Rs.430/- per kg. and at this level about US$400-US$500 higher than other origins.

This significant disparity in price trends adversely impacted on Sri Lanka's capacity to generate more DC exports, despite a 13% depreciation of the Sri Lanka Rupee against the US Dollar. The total exports of DC in 2018 was 25.5 million kgs., a 16.2% decrease compared to 2017.

The Company exported 1.8 million kgs. during the year and realised a gross trading profit of Rs.15.0 million.

SUBSIDIARY COMPANIES

Ceymac Rubber Company Limited

After several years of losses, the Company was profitable in the year 2018-2019. This was because of the improved processes for sourcing raw material for both sole crepe and technically specified rubber (TSR) manufacture.

The net profit for the year was Rs.16.9 million.

Low global prices of TSR and high local prices for procuring raw material for TSR manufacture impacted adversely on the Company's capacity to secure export orders for TSR.

TSR sales during the year was almost entirely to local manufacturers of solid tyres. Total sales for the year was 1.4 million kgs.

The Company also exports sole crepe rubber. Exports of sole crepe for the year was 445,000 kgs.

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

In this background, the Company has, with the support of the Ministry of Commerce and Industry, the Rubber Research Institute and Sri Lanka Customs, got approval to import scrap rubber, the primary raw material to manufacture TSR under the Temporary Import for Export Purposes (TIEP) scheme. Imports under TIEP scheme is duty free and only for exports.

The plan is to import scrap rubber from other origins whenever global prices are more competitive than in Sri Lanka.

This strategy will enable the Company to manufacture TSR more competitively and enable to secure export orders.

Ceytra (Private) Limited

The Company manufactures moulded rubber products for export and sale locally. Sales for the year was 345,000 kgs. and net profit Rs.4.4 million.

The Company's capacity to manufacture moulded rubber products is limited and pricing factor is a major impediment to grow the export business.

The Company is, therefore, concentrating on growing its business by penetrating the local market where there is considerable demand for locally made moulded products in the household and automobile parts business. Manufacturing capacity constraints is a major impediment to growing the moulded rubber products business. Any new investments to expand manufacturing capacity would depend on the demand for moulded rubber products.

Kelani Valley Canneries (Private) Limited (KVC)

KVC's continuous losses have resulted in an erosion of its reserves and stated capital which in turn has created a serious loss of capital situation and made it incumbent on the Directors to act in compliance with Section 220 of the Companies Act No.7 of 2007.

In view of the above, the Parent Company, C. W. Mackie PLC, has -

(1) infused a sum of Rs.50.0 million to the capital of KVC to be satisfied by the issue of ordinary voting shares to the Company in KVC; and

(2) converted a loan of Rs.10.0 million given by the Company's subsidiary, Ceytra (Private) Limited, to ordinary voting shares.

An independent valuation has determined the value of a KVC share at Rs.2.77 per share.

KVC shareholder consent for the dilution of the minority shareholding has been obtained at an Extraordinary General Meeting (EGM) and a further EGM will be held to get KVC shareholders approval for the allotment of shares to C. W. Mackie PLC and Ceytra (Private) Limited at Rs.2.77 per share.

A consultancy firm specialising in business process re-engineering was engaged to carry out a study focusing on technical re-engineering and financial processes re-organising of KVC and their recommendations are currently being implemented.

KVC is confident that the solutions recommended by the Consultants would revive the business and restore profitability by 2020.

KVC, which has been making continuous losses for several years, produced a net loss this year of Rs.35.0 million.

FINANCE

Bank borrowings is the principal source of funds for financing the Group's working capital requirements.

The Group's capital expenditure outlays are 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 implementing SAP S/4 HANA Computer System. In addition, the Company made a capital infusion of Rs.50.0 million to Kelani Valley Canneries Limited, subsidiary company, to correct a serious loss of capital situation. As funding these capital outlays became a strain on the available bank facilities, a long-term loan was negotiated with one of the banks of the consortium of lenders to fund these capital outlays and relieve pressure on the Company's normal bank facilities.

The financing cost for the year, net of foreign exchange gains, was Rs.110.9 million. During the year on an average the Sri Lanka Rupee depreciated against the US Dollar by 13% and against the Euro by 2.5%. This resulted in foreign exchange gains on exports, but raised the cost 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 ranged from 12%-13% 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 profits are liable to a tax of Rs.114.0 million. This includes the adjustment of a tax under provision of Rs.21.0 million in the previous year. The effective rate of tax for the Group works out to 27%.

The Group has a deferred tax liability of Rs.136.3 million.

The Parent Company has no carried forward tax losses. Subsidiary companies, Ceymac Rubber Company Limited has a carried forward tax loss of Rs.89.8 million, Ceytra (Private) Limited a carried forward tax loss of Rs.42.2 million and Kelani Valley Canneries Limited a carried forward tax loss of Rs.286.8 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 cordial relationship.

The implementation of a Human Resource Information System (HRIS) is in progress. HR information relating to employee information, performance, time, attendance and leave management modules are now in operation. Implementation of a payroll module is in progress. When HRIS is fully operational employee information will be easily accessible in 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 and adequately compensated workforce. To achieve that, well-structured processes are in place to identify critical employees and retain them in the long-term by -

- Ensuring that remuneration systems offer the opportunity of excellent rewards for excellent performance.
- Ensuring that reward packages are competitive.
- Ensuring that remuneration packages are fully compliant with local taxation and legal requirements.
- Establishing and maintaining an effective system of job evaluation.

Manning levels as at 31 March 2019 is given below: -

Company	Managerial/ Executives	Non Executives	Manual Operatives	Total As at 31 March 2019	Total As at 31 March 2018
C. W. Mackie PLC	90	188	56	334	335
Ceymac Rubber Company Limited	8	21	84	113	117
Ceytra (Private) Limited	3	4	29	36	38
Kelani Valley Canneries Limited	12	15	33	60	64
Group Total	113	228	202	543	554

COLOMBO STOCK EXCHANGE

Listing Rules of the Colombo Stock Exchange (CSE) mandates that a minimum of 20% of the shares are held by the public for companies listed on the Main Board. The Company's public holding remained at approximately 11%. The Board having considered options to increase the public holding to comply with the minimum public holding requirement agreed to have the shares of the Company transferred from the Main Board to the Diri Savi Board with effect from June 2018. Non-compliance would have resulted in the Company being transferred to the Watch List - previously the Default Board - on 1 July 2018.

On becoming compliant with the requirements relating to the minimum public holding as per the CSE Listing Rules at a later date, reverting to the Main Board is possible on a written request being made by the Company to the CSE.

Since transferring to the Diri Savi Board, the Company's shares have been trading in the range of Rs.40/- to Rs.45/- and generally in line with prevailing market sentiments.

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 2019 in accordance with the provisions of the Companies Act No.7 of 2007.

OUTLOOK

The economy is forecast to grow by 3.5% in 2019-2020.

The tragic events on Easter Sunday in April 2019 and the sporadic violence that erupted subsequently in some parts of the country destabilised the economy and impaired investor confidence.

The tourism sector is by far the worst affected and earnings from tourism, a major source of foreign exchange, is expected to drastically decline.

Investor confidence has also been severely marred and the flow of foreign direct investment (FDI) is likely to diminish, at least foreseeably. Manufacturing and some service sectors have also been similarly affected and is likely to take considerable time to recover.

The balance of payments heavily burdened by foreign debt and debt servicing costs and a large trade deficit is likely to further deteriorate due to the lower receipts from tourism and foreign fund inflows resulting from the Easter Sunday violence. The position could further worsen depending on foreign fund inflows by way of capital market activities and a widening trade deficit as a result of higher oil prices, the largest single component of import expenditure.

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

The US Dollar and the Euro are likely to depreciate, in a narrower range than in 2018, mainly because of the large trade deficit, which will raise inflation and adversely impact on the cost of living and consumer purchasing power.

Interest rates may rise above prevailing levels, unless the current fiscal deficit is contained. This may be difficult in the background of the economic disruptions triggered by the Easter Sunday violence.

The Group's trading and manufacturing activities have not been extensively disrupted by the Easter Sunday events, perhaps with the exception of the FMCG sector which is a major supplier to hotel and restaurant outlets. This is a set back and recovery would depend how quickly the tourist industry is revived.

The outlook for doing business in other areas of the Group's activities will be difficult and challenging in 2019 and any revival of the economy would depend on how soon investor confidence is restored and political stability is re-established.

ACKNOWLEDGEMENTS

My colleagues on the Board comprise high calibre business leaders and professionals. Their expertise and wide experience collectively ensures a right balance of executive competency and independent judgement and add much value to the deliberations of the Board. Their ready counsel, co-operation and guidance at all times has enabled me to continue to conduct the affairs of the Company in the best interests of all stakeholders, for which I am deeply grateful.

Mr. Alagarajah Rajaratnam, who has served on the Board of Directors since 27 June 2012, tendered his resignation on 19 March 2019. His sound advice and guidance stemming from his long experience as a private sector business leader has been a constant source of inspiration and encouragement and his presence on the Board would be surely missed by me and my colleagues on the Board.

I acknowledge with appreciation the commitment and endeavors of our highly competent management team and staff at every level. The result for the year under challenging and competitive conditions have been achieved due to their dedicated efforts.

I wish to acknowledge and thank the continued confidence of our valued trade customers, suppliers, agents, distributors and bankers in our capacity to produce sustainable results, both in terms of growth and profitability and our shareholders to deliver a fair return on their investment.

W. T. Ellawala
Chairman/Chief Executive Officer

Colombo
3 June 2019

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.

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. Upon appointment as the Group Managing Director of the Colombo Fort Land & Building PLC on 1 January 2017 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 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 five 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. Founder President of the Chartered Institute of Marketing U.K. (Sri Lanka Region). His contribution to marketing and retail in Asia was recognized 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.

An Accountant by profession, he is a former Chairman of the Employer's Federation of Ceylon. Presently he serves as Chairman of the Industrial Service Committee-Southern Province of the Ministry of Industries & Commerce 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 Lifetime Award of Excellence from the Institute of Chartered Accountants in 2011 and was selected CIMA Business Icon for 2013 by the Chartered Institute of Management Accountants in 2013.

MR. K. T. A. MANGALA PERERA

Executive Director

A Director from 2 April 2012. His academic and professional qualifications extend across multiple disciplines, which consists a Masters in Financial Economics from the University of Colombo, a B.Sc. (Hons.), Marketing Management (Special) Degree from the University of Sri Jayawardenepura, a post graduate Diploma in Business & Financial Management from the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Australian Sales and Marketing Association.

He counts over 20 years extensive cross industry experience in Marketing and General Management at senior level, both locally and internationally.

He has served on several national level project committees and judging panels. He is actively engaged in national level sports administration and served as the President of the Sri Lanka Mercantile Volleyball Federation and has also played a vital role in promoting beach volleyball in Sri Lanka in collaboration with the Sri Lanka Volleyball Federation.

MR. ALAGRAJAH RAJARATNAM

Non-Executive Director (Up to 19 March 2019)

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 44 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 38 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 Scan Bottling Plant and Kelani Valley Canneries Limited, subsidiary company. He has over 28 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 26 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 38 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 - Group Treasury

Raveendra is General Manager-Group Treasury 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 15 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 23 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 Marine Paints Division as General Manager. He has over 20 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 23 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 25 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 35 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 13 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. Further she has completed Level I of the Chartered Financial Analyst Institute, USA.

P. Pavalachandran

General Manager - 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 21 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 Management (MBA) from the University of Wales, UK.

E. Sugath Edirisinghe

General Manager - Ceymac Rubber Company Limited (from 1 July 2018)

Sugath is the General Manager-Ceymac Rubber Company Limited, a subsidiary company. He joined the Company in 1995 as a Management Trainee and has held several executive and managerial positions during his tenure of service. He has over 24 years of experience in the field of finance and rubber manufacturing. He holds a B.Sc. Accounting (Special Degree) from University of Sri Jayawardenepura and a final level of Institute of Chartered Accountants of Sri Lanka.

OUR STRONG BRANDS

SUNQUICK

A Danish origin multinational fruit squash brand available in more than 100 countries around the globe. Sunquick's association with C. W. Mackie PLC is more than 39 years and today, it is the category leader in squash and cordial market and enjoys 63% market share.

SCAN JUMBO PEANUT

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

SCAN BOTTLED DRINKING WATER

An ultra-premium purified drinking water is among the premium and the cleanest known bottled water brands in Sri Lanka. SCAN Bottled Drinking Water is manufactured and bottled at the state-of-the-art bottling plant of C. W. Mackie PLC in Horana.

SCAN Bottled Drinking Water besides SLS is certified as ISO 9001:2008 and ISO 22000:2005. It is also certified by the Ministry of Health for Quality Management Systems and Food Safety Management Systems, such as Hazard Analysis and Critical Control Points (HACCP) and Good Manufacturing Practice (GMP).

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 32 years.

DANFOSS

Is a world renowned Danish brand in the refrigeration and air-conditioning industry, its 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.

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.

N-JOY COCONUT OIL

Takes pride in being the leading player 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 deodorising process. C.W. Mackie PLC has been associated with N-Joy since 2012.

OCEAN FRESH TUNA

Another proprietary brand of C. W. Mackie PLC, comes from Thailand in 5 healthy and delicious varieties namely, Tuna Chuncks 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.

STAR BRAND ESSENCES AND COLOURINGS

Brand is owned by International Flavours and Fragrances, USA, the world’s leading flavour and fragrance creator and market innovator. C.W. Mackie PLC distributes a range of unique 7 essences and 4 colours for savoury, sweets, beverage and dairy industries and is the local distributor for “Star” brand for over 22 years.

KOTAGALA KAHATA

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

BOPF tea bag range was also introduced as a line extension in the Kotagala Kahata tea category.

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.

FOREST FARM

Is another proprietary brand of C.W. Mackie PLC 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 proprietary brand of the FMCG range of products of C.W. Mackie PLC comprising jelly crystals, corn flour, gelatine, icing sugar and cocoa powder and is another significant milestone of its history embarking towards an untouched area in the FMCG product portfolio in the category of bakery and confectionary items.

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

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.

SANTOOR

Is a well known trusted Indian brand beauty soap recently added to the Personal Care range of products distributed by C. W. Mackie PLC. Santoor brand sandalwood and almond soaps are supplied by Wipro Consumer Care Lanka (Pvt) Limited.

KIWI

Range of shoe care is yet another brand introduced recently to the Personal Care range of products supplied by S.C. Johnson & Son (Pvt) Limited. The brand is owned by S.C. Johnson & Son Inc, a USA multinational manufacturing company engaged in the household cleaning supplies and other consumer chemicals. Kiwi remains the predominant shoe polish brand in the world sold in over 180 countries holding over 50% market share worldwide.

BAYGON

Is a new addition to the FMCG products range under the Household Care products category and the brand is owned by S.C. Johnson & Son Inc, USA. Baygon aerosol is a pesticide used for extermination and control of household pests such as cockroaches, ants, silverfish and mosquitoes.

MR MUSCLE

Is a brand of hard-surface cleaners manufactured by S. C. Johnson & Son Inc, and a new addition to the FMCG products portfolio under Household Care category. The brand includes hard surface cleaners and degreases in kitchen, toilet, floor, glass and other surfaces. The products are available in different fragrances.

OUR ACCREDITATIONS AND CERTIFICATIONS

Our manufacturing operations/processes are accredited with the following certifications and ensures that all products meet stringent international and local quality standards:

1. GMP - Good Manufacturing Practices, a system for ensuring that products are consistently produced and controlled according to quality standards.
2. ISO 9001 : 2015 quality management system in the manufacturing process.
3. ISO 22000 : 2008 food safety management system applicable to food manufacturing chains.
4. SLS - Product quality standards as per specifications of Sri Lanka Standards Institution.
5. HACCP - Hazard Analysis Critical Control Point is a systematic preventive approach to food safety from biological, chemical and physical hazards in production processes that can cause finished product to be unsafe and designs measures to reduce these risks to a safe level.
6. Organic Certifications:
    (a) Organic EU - Organic certificate for EU countries.
    (b) Organic USDA-NOP - The National Organic Program (NOP) is the federal regulatory framework in the United States of America for governing organic food.
    (c) JAS - Japanese Agricultural Organic Standard, a regulatory framework in Japan governing organic food.
7. CDA - Coconut Development Authority certified as an exporter of Coconut base Products.

DIVERSIFIED

BUSINESS REVIEW

"An acceptable performance in an uncertain business climate"

> "C. W. Mackie PLC recorded a satisfactory performance against a backdrop of political instability and the resultant plummeting of business and investor confidence."

C. W. Mackie PLC recorded a satisfactory performance against a backdrop of political instability and the resultant plummeting of business and investor confidence. This was exacerbated by a depreciating rupee and market uncertainties. Nevertheless, the Group was successful in circumventing these ecopolitical uncertainties to realise a 16% growth in gross profits to Rs.1.28 billion, from Rs.1.11 billion achieved in 2017/2018. This increase was due to the positive growth of export sales in the Export Division from the depreciated Sri Lanka Rupee, as well as to several positive factors that resulted in the growth and expansion of some sectors of the Group. This included an increase in the gross profit of export sales in crepe rubber due mainly to the reduced purchase price and the commencement of a lucrative new line of revenue in the logistical facilities offered for sugar storage by the Sugar Trading Division. This caused a 28.8% growth in net profit before tax for the period of review to Rs.330.48 million, from Rs.256.53 million in the previous financial year.

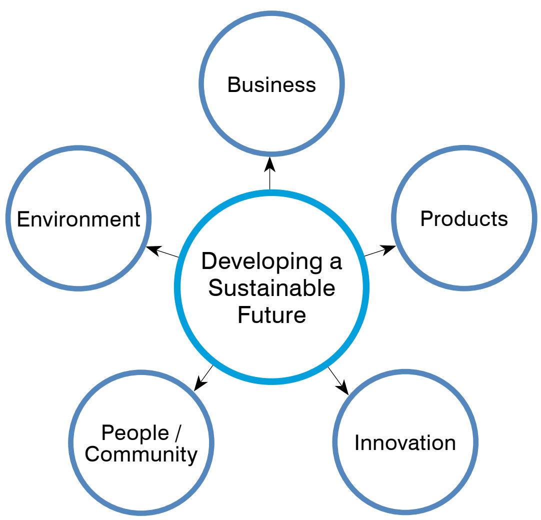
Total comprehensive income attributable to equity holders for the year increased by a healthy 294% to Rs.587.12 million during the year, from Rs.149.04 million in the preceding fiscal year. However, net finance cost rose by 14.71% during the year, to Rs.110.95 million, from Rs. 96.73 million in 2017/2018 due to the growth activities of the Group, which included the expansion in copper and gas operations of the R&AC Division, the increase in the stock holding cost as a result of the expansion in sugar operations, to which was added a cash investment of Rs.335.0 million in the joint venture operation with Co-Ro A/S, Denmark utilising short-term funds. The contribution by joint venture subsidiary, Sunquick Lanka Properties (Private) Limited, of a cumulative net finance income of Rs.35.0 million helped reduce the Group's net finance cost.

Over the years, C. W. Mackie PLC has grown and developed as a result of its power to endure the onslaughts of the intemperate climate of the times, be they be business or weather. We have attained the foresight to withstand challenges and have cut fresh tracks along untrammelled pathways and attained the ability to look beyond the limitations of the present to focus on the possibilities of the future and have established future strategies to counter present challenges. One such key strategic initiative has been our decision to diversify. This decision has opened doors to unimaginable potential and expanded our business horizons to undreamt of imminent outcomes. This is the key to our longevity. We will continue to set industry benchmarks in our quest for establishing transparent and ethical business practices pursued unrelentingly, until we arrive at where we want to be.

OUR APPROACH TO SUSTAINABILITY

Our commitment to building a sustainable business

We view sustainability as being an important enabler to improve and grow our business, so sustainability goals are integral to business continuity. Accordingly, C. W. Mackie PLC has introduced sustainability targets that encompass every area of business in a manner that creates value for customers, investors, employees, communities and the environment.



> "SAP has, to date, substantially improved operations in many areas of business by facilitating connectivity and speedy data retrieval. The fully integrated modules of the SAP system address and manage almost all aspects of business."

These goals are designed to improve efficiencies in our packaging and distribution channels, supply chain and manufacturing plant operations. They also influence office efficiency and human resources initiatives.

To benefit the business and help enhance the way we operate across business sectors, we prioritise these goals towards those areas that make the most meaningful impact and generate the most profitable results. Every goal is set with a clear roadmap as to how it is to be achieved and is designed to ultimately improve our environmental and social performance. With this in mind we involve our people in the sure knowledge that the best ideas and opportunities for a sustainable organisation are most likely to come from the people who are responsible for delivering the results.

All these initiatives are compiled with the ultimate goal of ensuring recognition of C. W. Mackie PLC as a good corporate citizen.

INFORMATION TECHNOLOGY

The Enterprise Resource Planning System or the Systems Application and Products (SAP) suite of solutions is the Company's state-of-the-art business software introduced three (3) years earlier. SAP has, to date, substantially improved operations in many areas of business by facilitating connectivity and speedy data retrieval. The fully integrated modules of the SAP system address and manage almost all aspects of business.

Speedy access to accurate and real-time information is the key feature of the system, which is also an invaluable management tool that enables senior management to access live data essential for timely decision-making. It also enables historical information to be analysed in many and various ways and these results are used for forecasts.

The system comprises modules that provides accessibility to information from anywhere at any time from several devices, including mobile devices. The Sales Force Automation (SFA) module that facilitates sales personnel on the field to access sales-related information from mobile devices is a case in point.

An enhanced Android version of the existing SFA system was introduced this year to support the sales process of the Company's newest business sector, namely Personal and Household Care.

GLOBAL GROWTH FRAMEWORK

The global economy grew by 3.3% in 2018, after peaking at close to 4% in 2017. The growth was mainly due to fiscally induced acceleration in the United States that offset slower growth in some other large economies. Many commodity-exporting countries, notably fuel exporters, were also gradually recovering as oil revenues rose, although they remain sensitive to volatile prices.

Despite rising headwinds, South and East Asia recorded strong growth, expanding by 5.6% and 5.8% respectively in 2018, with growth in aggregate gross domestic product (GDP) slowing only slightly from 6.2% in 2017 to 5.9% in 2018, against the backdrop of decelerating global trade and economic activity. With rising oil prices and the depreciation of a number of Asian currencies, inflation in Asia edged up during the year to 2.5% from 2.2% in 2017 but remained low by historical standards, in view of stable commodity prices. World average inflation was 3.7%.

The steady growth saw a rise in the world's average GDP per capita by US$ 519 in 2018 to US$ 11,368, from US$ 10,849 in 2017.

But these headline figures conceal fragilities in many developing economies. The developing world is home to nearly a quarter of the global population who live in extreme poverty. While unemployment rates were at historical lows in several developed economies, many low-income people in parts of Asia, Africa and Latin America have seen little or no growth in disposable income over the past decade.

The steady pace of global economic growth also masks the build-up of several risks, the rise in trade tensions among some of the world's largest economies being a case in point.

Trade tensions and tariff hikes between the United States and China are causing an erosion in business confidence, tightening financial conditions and leading to higher policy uncertainty across many economies. As a result, global trade growth lost momentum, although stimulus measures and direct subsidies have so far offset much of their direct negative impacts. However, protracted tensions could create severe disruptions to global value chains, particularly for exporters in Asian economies embedded into the trade supply chains between China and the United States. Amidst the rise in global trade tensions, global trade growth reduced during the year of review from 5.3% in 2017 to 3.8%.

The possible failure of policymakers in Europe to finalise legal and regulatory arrangements in advance of the withdrawal of Great Britain and Northern Ireland from the European Union pose risks to financial stability, given the prominence of European banks in driving global cross-border financial flows. Investor sentiments were also affected by escalating trade tensions as well as by high levels of debt, elevated geopolitical risks and oil market developments.

Climate risks intensified and are impacting both developed and developing countries, but the human cost of disasters fell heavily on low-income countries. Disaster resilience must be fully integrated into economic decision-making if economies are to develop.

Global growth is expected to level out at a steady 3.0% in 2019 and 2020. But as global financial conditions tighten, an unexpectedly rapid rise in interest rates or a significant strengthening of the US$ could exacerbate emerging market fragilities.

LOCAL GROWTH FRAMEWORK

The Sri Lankan economy experienced a sluggish growth of 3.2% in 2018, which is a marginal increase of 0.2% from the preceding year's growth of 3.4%, as a result of challenges in both the domestic as well as external fronts. GDP recorded a moderate growth of 7.7% in 2018, against the higher growth of 11.9% in 2017, which indicates relatively low price pressure. GDP per capita rose by 6.6% in the current year to an estimated Rs.666,817/-, from Rs.625,736/- in 2017.

"Global growth is expected to level out at a steady 3.0% in 2019 and 2020. But as global financial conditions tighten, an unexpectedly rapid rise in interest rates or a significant strengthening of the US$ could exacerbate emerging market fragilities."

A ray of hope during the year was the recovery of the Agriculture sector from the devastation experienced in the preceding year, due to favourable weather conditions in 2018, which realised a bumper paddy harvest.

Rubber production also declined due to continued rain in plantation areas during tapping days along with the high cost of production and poor management of plantations during the first half of 2018. Rubber production improved considerably thereafter, supported by favourable weather conditions. The production of sheet rubber, which accounts for about half of total rubber production, declined but crepe rubber production recorded considerable growth.

However, coconut production recovered from its decline in 2018, due to rainfall experienced in major coconut growing areas. Although production remained subdued during the first quarter of the year, it recorded an expansion thereafter.

The performance of minor export crops continued to weaken in 2018 from the performance in the previous year. Although the production of cinnamon, cocoa, arecanut, citronella and turmeric recorded growth, the production of pepper, cloves, cardamom, nutmeg and ginger declined considerably during 2018 over to 2017. The decline in production is attributed to dry weather and sporadic rainfall in growing areas. Pepper production also decreased mainly due to unfavourable weather conditions in major growing areas during the flowering and fruiting period and prices of pepper dropped due to declining world market prices and the issue of importing low quality pepper.

"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 both backward and forward integration and expanding its FMCG business portfolio into Personal and Household care category by including all Food and Beverage and Personal and Household care categories into one Sector."

Political uncertainties compounded by concerns regarding fiscal slippage in the lead up to the elections, were significant causal factors in the decisions of all three major rating agencies to downgrade Sri Lanka's sovereign ratings. This, in turn, negatively affected investor confidence.

The external sector was volatile this year. Monetary policy normalisation, particularly in the United States caused a tightening of global financial conditions, which increased pressure on the exchange rates of twin deficit economies like Sri Lanka.

The trade deficit surpassed US$ 10 billion for the first time in history with higher growth in import expenditure outpacing the export earnings growth, which was also at record level. Stagnant workers' remittances and rising foreign interest payments resulted in a widened current account deficit of 3.2% of GDP during the year. The financial account benefitted from increased foreign direct investment (FDI) inflows, which were also at their historically highest level, in the current year. These were among key developments that caused a deficit in the overall balance in the balance of payments (BOP).

The Central Bank of Sri Lanka followed a market-based exchange rate policy and allowed a sharper depreciation of the Sri Lanka Rupee, but intervened in the domestic foreign exchange market when there were large capital outflows and undue speculation that caused excessive volatility in the market. To curb the widening trade deficit, the Central Bank of Sri Lanka implemented a series of measures to curb non-essential imports by increasing tariffs, imposing margin requirements, tightening loan to-value ratios on selected types of lending and suspending the issuance of letters of credit (LCs) on concessionary permits for vehicle imports. In response to these measures, pressure on the BOP and the exchange rate subsided during late 2018 and early 2019, and the Sri Lanka Rupee appreciated against major currencies during the first quarter of 2019, thus correcting the overshooting of the exchange rate observed in the previous year to some extent.

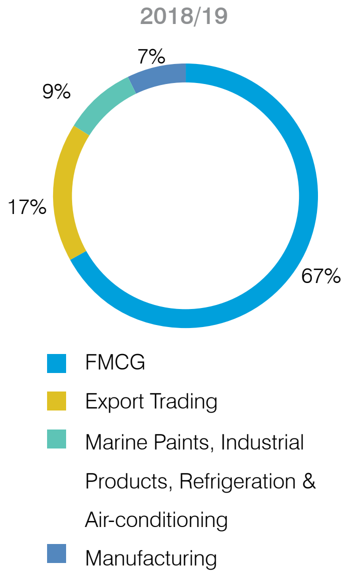
STRATEGIES AND FUTURE DEVELOPMENTS

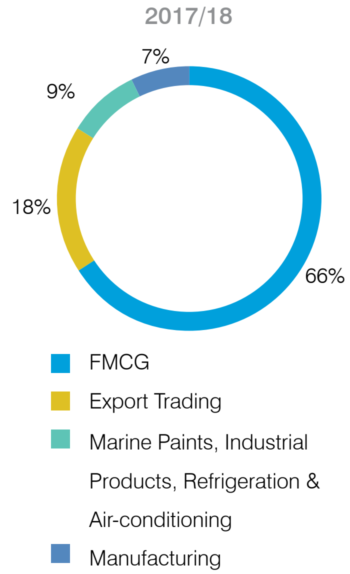
The Group intends to continue to pursue a strategy of focusing on its current business activities and related new business avenues. In order to achieve this, the Group will concentrate on enhancing the performance of its FMCG Sector by both backward and forward integration and expanding its FMCG business portfolio into Personal and Household care category by including all Food and Beverage and Personal and Household care categories into one Sector.

Focused management approach by clustering related business activities and optimising inhouse capabilities to achieve the medium to long term objectives is in progress.

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

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

BRAND PORTFOLIO

The brand portfolio of Scan Products Division comprises well reputed local and international brands. Food products distributed include 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 the KVC branded products range. Beverages distributed include Sunquick fruit squashes, Kotagala Kahata tea and Scan bottled drinking water.

Several new products were also introduced during the year under review as line extensions to the existing food and beverage product portfolio. These include Mackgrains mixed basmati rice and Delish branded cocoa powder, gelatine and corn flour which have been well received by the market to date.

BRAND EXPANSION

The Company's corporate strategic approach is to develop and expand its FMCG Sector as a fully-fledged business segment by securing globally reputed personal and household care brands to its products portfolio. The approach was realised during first quarter 2019 by establishing distributorships with S.C. Johnson & Son (Pvt) Limited [representing S.C. Johnson Netherland Corporation] and Wipro Consumer Care Lanka (Private) Limited [representing Wipro Enterprises (Pvt) Limited, India] introducing their products thus adding several reputed international personal and household care brands to the FMCG products portfolio.

The Company is confident that this diversification of its products portfolio will increase revenue and profitability in the forthcoming year.

Personal care products include Santoor range of soaps and Kiwi range of shoe care. Household care products include Baygon household pest control, Glade range of air fresheners, Drainex and Mr. Muscle range of cleaners. Many of these enjoy market leadership positions in their respective categories.

SCAN PRODUCTS DIVISION

This is the largest manufacturing and trading channel of the Company. During the current financial year, the Division faced a vicious cycle of escalating costs and reduced consumer consumption fuelled by the turbulent socio-economic and political climate. This narrowed profit margins and reduced bottom-lines.

> "The Company's corporate strategic approach is to develop and expand its FMCG Sector as a fully-fledged business segment by securing globally reputed personal and household care brands to its products portfolio."

Government regulations also contributed to the challenging landscape. In September 2018, the Government imposed controls on the Maximum Retail Price of bottled drinking water, which also negatively impacted on the Scan bottled drinking water, thus adversely affecting the bottom-lines.

The Division pursued certain carefully devised short-term and long-term strategies in an attempt to mitigate market instabilities. Short-term strategies introduced included exploring ways to reduce production costs in several areas of manufacture, increasing the prices of certain products as well as reducing trade schemes. The latter two strategies had a negative impact on sales volumes and resulted in a revenue drop in certain product categories. A long-term strategy presently being pursued is the improvement of line efficiencies aimed at a higher output.

Despite high costs, the Division continued with and in some instances, increased its advertising and distribution strategies which resulted in the successful market penetration of its multi-channel distribution network.

PERFORMANCE

Rising inflation constricted disposable incomes, compelling consumers to curtail their purchases of non-essential products. Uncertain weather conditions curbed the quantities of raw material available for purchase and consequently hiked prices. The situation was exacerbated by the depreciation of the Sri Lanka Rupee, which in just three months between September and December 2018 slumped by 15.4%. This escalated the costs of imported raw materials and finished goods. The increased prices of raw materials led to a surge in cost of sales which precipitated an upsurge in prices that squeezed consumption further. The decline in consumption was experienced throughout the food and beverage category in Sri Lanka during the first three quarters of the year under review.

Sunquick, being the Division's core brand enjoying a market share of 63% is positioned at the top in the fruit and squash category.

Scan jumbo peanuts, the pioneer brand in its category has since inception, maintained the category leadership in its Sector.

Scan bottled drinking water recorded a volume growth of 8.4% over the previous year. Kotagala Kahata tea and N-Joy coconut oil did not meet a satisfactory level of growth during the year under review.

FMCG MANUFACTURING

Scan Bottled Drinking Water

The water bottling operation continued to grow despite several challenges experienced in the financial year under review. A total of 11.87 million litres of water was produced during the year, which is an increase of 8.4 % over the previous year's volume of 10.95 million litres. The bottled water category recorded a revenue of Rs.233 million in the current year which is a 10.4% growth over the previous year's figure of Rs.211 million. About 80% of sales are to the Food Service Sector, another 10% is to Modern Trade Sector.

In September 2018, the Consumer Affairs Authority (CAA) imposed a price ceiling on bottled water that reduced sales of the 5 litre bottle in particular. This narrowed profit margin was mitigated by reducing material costs. Discussions with suppliers on further reductions are in progress. An economical carton for one-time use was also introduced, which has cut costs by a substantial Rs.6 million annually.

Kelani Valley Canneries Limited (KVC)

The Company has now been in business for over half a century, having been established in 1968 to process tropical fruit and vegetable products for the local and export markets. Its products portfolio ranges from sauces, jams, nectar, chutneys, treacle, fruit juices, fruit pulp to canned fruits and vegetables to pickles and sambols.

Fluctuating prices of raw materials and high competition in the local market reduced its gross profit levels.

KVC expanded export volumes to circumvent the high competition prevalent in the local market. The Company works closely with the Export Development Board and several other organisations to promote exports.

Semi-automated machinery introduced recently for filling, has reduced wastage and labour costs and enhanced productivity and product quality. This initiative has proved successful and resulted in an expansion of export volumes over the previous year. The Company plans to move even further away from its labour intensive operation in the medium term, by investing in semi- automated machinery in other areas as well and the Management is confident of having positive results in the forthcoming years.

Delish Manufacturing and Processing Plant

Delish branded bakery products were launched by the Scan Products Division of C. W. Mackie PLC in January 2017 and its factory is located in the Industrial Estate, Horana. It has gained popularity among consumers within a very short period of time. The range under the brand include jelly crystals (principally strawberry flavour), gelatine, corn flour, icing sugar, cocoa powder among many others and caster sugar to commercial buyers.

Delish products cater to the mass market, as well as bakery and Food Service Sector. The brand has received positive response from the consumers and has been able to establish its brand name in the consumer's mind through its high-quality product range.

In order to gain more consumer preference, the product range was extended to include cocoa powder and blackcurrant jelly crystals during the year under review.

Delish products are processed at the state-of-the-art manufacturing facility with a zero percentage of human touch and adhere to stringent quality controls and standards. The recipes followed in the process of production are internationally accepted recipes and contain only the very best of ingredients.

Sunquick Ready-to-Drink (RTD) Manufacturing Plant

Construction of the plant to manufacture RTD products under the joint venture with Co-Ro A/S, Denmark commenced in October 2018 and has progressed according to plan and is nearing completion. RTD products are expected to be launched during Q1 of 2020. Test marketing in collaboration with Co-Ro A/S will be carried out prior to the formal launch.

OUR QUALITY STANDARDS

Quality Assurance where applicable has been strengthened to support the expansion, with the recruitment of several professionals and they are in the process of developing recipes as well.

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

Internal and external quality assurance programmes ensures regular testing of quality and processes. As an ISO 9001:2008 and ISO 22000 certified Company, all products meet the most stringent international and national quality standards. A HACCP (Hazard Analysis Critical Control Point) inspection plan has also been integrated into its manufacturing facility to ensure hygienic standards that translate into food safety for consumers. In addition, organic certification (EU, USDA-NOP and JAS) was also successfully obtained during the year under review. All food handlers undergo medical check-ups annually.

WAREHOUSE COMPLEX

The warehouse capacity has been substantially expanded during the year. The main warehouse in Mattakkuliya which accommodated only 960 palette positions was relinquished in favour of a new greenfield warehouse with more than double the palette positions to 2,300 to support the fast-growing FMCG Sector and to handle the burgeoning business. In line with this, the Warehouse Management was also strengthened by the recruitment of industry experts who will improve efficiencies and boost cost reduction mechanisms.

PEOPLE

As an effective strategy of developing professionals in the sales and marketing field and retaining high achievers, Scan Products Division continues to conduct programmes on training and development. The second batch of the Diploma in Sales Programme will be completing the course by end of 2019. Further, conducting outbound training for all staff and nominating for the "Employee of the Month Award" were some of the initiatives taken to motivate and recognise employees.

STRATEGIES

Scan Products Division also implemented several strategies to penetrate new markets, streamlined distribution and carried out sales force promotions. These strategies proved successful and enabled the FMCG Sector to post a top-line growth of 5% during the financial year under review.


Scan
SCAN
BOTTLED DRINKING WATER
EAU POTABLE EN BOUTEILLE
ABGEFULLTES TRINKENWASSER

MANUFACTURING

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.

CEYMAC RUBBER COMPANY LIMITED (CEYMAC)

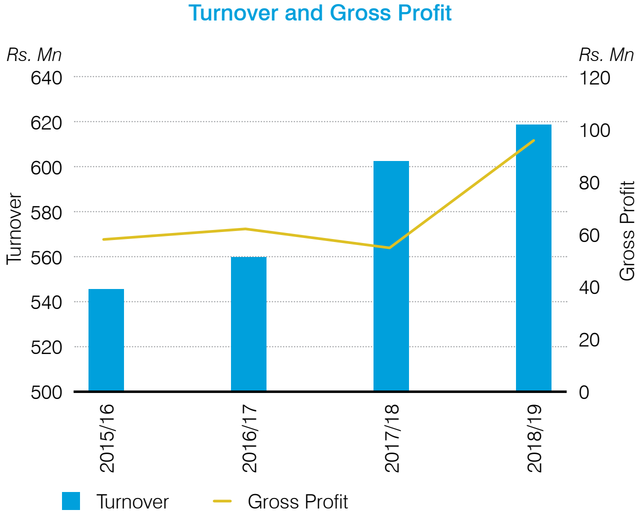
Ceymac is a leading manufacturer, exporter and local seller of technically specified rubber (TSR), plantation sole crepe and specialty rubber products in Sri Lanka for the tyre, pharmaceutical, automobile, adhesive, shoe, mining and woodwork industries. Ceymac's manufacturing facility is strategically located in a prime rubber plantation area in the Kalutara District and maintains a competitive advantage for collecting latex and producing natural rubber products to the highest international quality standards.

Major Export Markets

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

Performance

Ceymac posted its highest ever performance during the year under review, recording a profit after tax of Rs.14.9 million after several years of losses. Although the top-line improved marginally, the bottom-line reported a significant improvement. This was mainly due to substantial financial gains achieved from increased sole crepe rubber exports as a result of repeat orders from profitable overseas customers, in addition to the augmented value of exports brought about by the depreciation of the Sri Lanka Rupee against US$.



Other reasons for the healthy performance include a cost reduction strategy introduced by the Management, which promoted an efficient procurement process which substantially reduced overhead costs and raw material costs. Substantial reductions could be seen particularly in the procurement of scrap rubber and latex, which helped improve the profitability of TSR and sole crepe operation.

Capital Expenditure

Ceymac is in the process of upgrading the machinery used for the processing of TSR to improve operational efficiencies and product quality in order to be more competitive in the market.

Effluent Treatment

Ceymac deals with effluents in a responsible manner. An effluent treatment plant was set up from the inception of the manufacturing plant for which an environment protection license is granted by the Central Environment Authority (CEA). This license is being renewed annually following careful inspection by the CEA of the Company's effluent treatment process.

As a cost effective and an eco-friendly measure, firewood is being used for the Gasifier installed at the Narthupana factory instead of diesel to dry TSR and rubber crumbs.

Raw Material Imports

Since natural rubber (NR) is susceptible to climate vagaries especially during the rainy season, the availability of scrap rubber has been less than during the previous year to meet requirements. In order to overcome this scarcity of scrap rubber, a strategic decision was taken by the Management to import scrap rubber under the Temporary Importation for Export Processing (TIEP) scheme, a scheme arranged by the Export Development Board. This helped reduce the manufacturing cost of TSR considerably and will enable Ceymac to be more competitive in the TSR business.

New Developments

Ceymac is now looking at options to re-enter the export market for TSR and in this connection a trial order has been exported to India and is awaiting a feedback.

A new niche market for sole crepe has also been developed for an overseas buyer yielding higher margins.

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 complies with CEA Regulations.

CEYTRA (PRIVATE) LIMITED (CEYTRA)

Ceytra is a leading manufacturer and exporter of a wide range of high-quality value-added natural and synthetic moulded 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 and the Company has become the main supplier of these products to the local market.

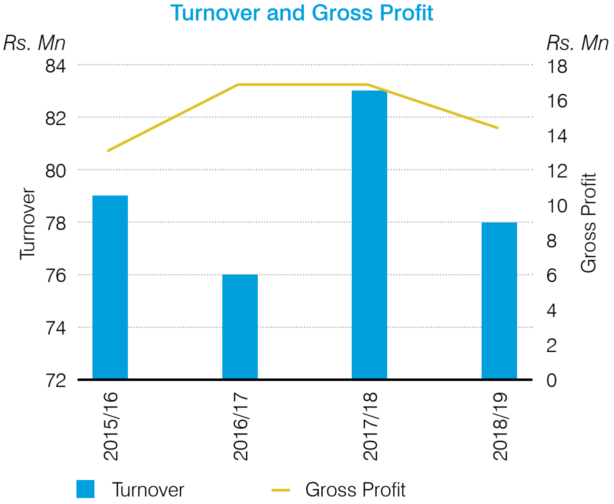
Ceytra also has the expertise to design, develop and manufacture a range of rubber products out of natural or synthetic rubber according to engineering drawings and specifications provided by customers.

Major Export Markets

France, Sweden and Japan

Performance

Ceytra's performance during the financial year under review was below expectations resulting in a profit before tax of Rs.5.2 million due to export business being confined mainly to a single customer who is not consistent in placing orders. The main reason for this was the fact that the countries like China and India offer more competitive prices than prices offered by Sri Lankan companies. In order to mitigate the reduction in the export business, Ceytra sought to expand its local business. Supplies were increased to a local chain that manufacture and market rubber products for domestic and industrial use, which expanded sales volumes.



New Development

Ceytra is now in the process of developing a new vibration isolation pad for an overseas customer in the construction industry. This is a high-tech engineering product designed to absorb vibration and is being developed with testing support of a leading recognised university and a research institute. Once the product is developed and marketed, this is expected to substantially improve sales volumes and profitability which will in turn significantly enhance Ceytra's top-line and bottom-line.

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 and is headed by a qualified and experienced Rubber Technologist.

Resource Optimisation

The close proximity of the locations of Ceytra and Ceymac, the Group's only two rubber manufacturing companies, enable distinctive competitive advantages in terms of cost saving and efficient operations.

Both companies share management skills, infrastructure and technical resources effectively and efficiently and operate with minimum Management and unskilled labour. These shared functions helped reduce overhead costs.

Human Resources

Ceymac and Ceytra have in place a succession plan that facilitates the training and development of staff at the second level of Management to equip them with the skills needed to step effortlessly into the shoes of their supervisors/superiors on their retirement or departure from the respective company.

Future Strategies

Ceymac and Ceytra continue to explore new opportunities for expansion into profitable markets and niche markets.

MARINE PAINTS

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 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 AND NEW PROJECTS

The Division recorded lower-than-expected volumes during the year due to the completion of a lucrative contract begun in the previous year being a key contributory factor to the lower volumes but was able to achieve a decent profit and revenue in a competitive marketing environment.

Several new projects were, however, added to the Division's portfolio in the year of review. New orders were received from the construction industry which included the Port City construction, facility maintenance of the Colombo and Hambantota Ports, a multifaceted project that supplies water for irrigation, power generation and drinking, refurbishment of windmills, maintenance of major power plants, refurbishment of petroleum storage plants, maintenance of vessels, a newly constructed gas storage terminal in Hambantota as well as new business from the steel industry.

Maintenance orders for mini hydro plants were less since no new project had been commissioned during the year as the mini hydropower segment is reaching saturation. Direct orders from Hempel suppliers were also reduced in the third quarter. Demand for container paints was also reduced this year due to price competition with more competitive suppliers. Business from the steel industry experienced a setback as well because many of the steel products imported into Sri Lanka had been pre-painted to reduce costs.

"New orders were received from the construction industry which included the Port City construction, facility maintenance of the Colombo and Hambantota Ports, a multifaceted project that supplies water for irrigation, power generation and drinking, refurbishment of windmills, maintenance of major power plants, refurbishment of petroleum storage plants, maintenance of vessels, a newly constructed gas storage terminal in Hambantota as well as new business from the steel industry.."

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 (Contd.)

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

Protective Coating Segment

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.

Drawing on decades of experience from the marine segment, Hempel offers anti-corrosive coatings for virtually any types of steel structures. 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 steel structure of the iconic Colombo Lotus Tower.

Hempadur Avantguard Zinc rich Primer which has higher resistance against corrosion performed well 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.

"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.

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

STRATEGIES

New markets for additional product lines are being explored. the Division is now in the process of introducing diversified products in a different coating based on customer needs to 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.

EXPORT TRADING

Trading in the export of natural rubber, coconut products and Sri Lankan spices has been the core activity of the C. W. Mackie Group since 1900.

> "The Export Trading Division had an excellent year mainly due to good results from both NR and produce trading and also due to conducive global market conditions. 2,848 MTs of NR and 1,809 MTs of desiccated coconut were exported during the year under review."

PRODUCT PORTFOLIO

Rubber

The Company is a leading exporter of all grades of natural rubber (NR), including thin and thick pale latex crepe, thick brown crepe, ribbed smoked sheet (RSS), white and coloured sole crepe, technically specified rubber (TSR) as well as specialty grades of natural rubber, such as granulated crepe and ZOX crepe.

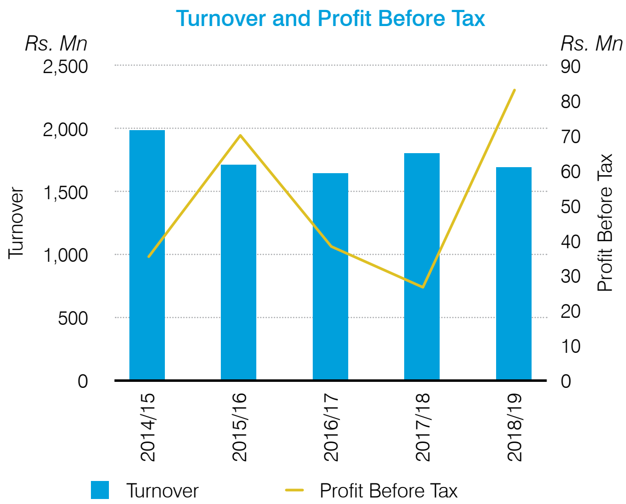
Natural rubber grade exports are used in the pharmaceutical, adhesive, marine paints, automobile and footwear industries, as well as in manufacturing household goods.

Coconut

The Company also processes quality desiccated coconut and other coconut products for export. These include desiccated coconut in fine, medium, chips, thread, flakes and toasted grades. Among the coconut products exported are organic desiccated coconut products, low-fat coconut products and value-added coconut products.

Performance

The Export Trading Division had an excellent year mainly due to good results from both NR and produce trading and also due to conducive global market conditions. 2,848 MTs of NR and 1,809 MTs of desiccated coconut were exported during the year under review.



Cognitive marketing decisions taken and the efficacy of the market strategy followed by the Management have resulted in a substantial increase in the volumes/earnings of NR. Depreciation of the Sri Lanka Rupee (SLR) contributed further to enhance the overall performance of the Export Trading Division.

During the fourth quarter of the year under review, desiccated coconut exports recovered from a very low production during the first and second quarters. The weather was a key factor which affected the crops of rubber and coconut which is susceptible to vagaries of climate.

A niche market in organic desiccated coconut products was successfully accessed and the positive market response from buyers augurs well for the future.

Spices, however, took a turn for the worse, due mainly to the fallout of several issues that impacted export volumes in the preceding year. The pepper industry curtailed last year due to the large quantities of pepper imported from countries like Vietnam.

The cardamom trade was virtually wiped out during the year under review by a disease that affected production and compelled importation of the spice even for local consumption.

MARKETS

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

About 80% 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 20% 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 through out the manufacturing process. Environmental and social concerns that could arise during the manufacturing processes are also being addressed adequately. Selecting the commodities for export is a careful process that involves quality checks to ensure their quality which include physical, chemical and microbiological properties maintained as per International Organization for Standardisation (ISO) standards.

"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. ."

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

Plans are in the pipeline to access non-traditional markets using a different marketing strategy in the ensuing year, the objective of which is to offset shortfalls in traditional markets.

Options for expanding premium rubber products like sole crepe are also being explored and new buyers are presently being sourced. Premium products sell in smaller volumes but yield higher profit margins.

SUGAR TRADING

The Sugar Trading Division engages in imports and distributes high-quality fine granulated refined white sugar.

The Division mainly focuses on the business to business operations 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

The Sugar Trading Division reported high sales volumes during the year recording a revenue of Rs.2.727 billion. This was due mainly to favourable market conditions and managing trading position by correct anticipation of market movements, although increased duty and the depreciating Sri Lanka Rupees had an adverse effect on both top-line and bottom-line.

The Company deals with internationally reputed trading houses and occupies the lead market position in Sri Lanka for ICUMSA fortified crystallised sugar.

During the year under review, the Division maintained 24.659 million MTs of volume and adopted the strategy of buying from different mills and averaging the prices.

NEW DEVELOPMENT

The Division established a new, but related business, following a strategic decision taken to establish a separate handling operation for providing logistical support to large corporate entities. The Company clears their sugar imports and store them in state-of-the-art warehouses. This strategic solution is being promoted to the industry players as well.

CATEGORIES OF IMPORTS

Three categories of sugar; refined, semi-refined and super refined are imported from Thailand, India and Dubai. These grades are supplied to industry players in the local beverage, confectionary and pharmaceutical sectors at very competitive prices.

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.

FUTURE STRATEGIES

Further concentrate on business to business customers in different industries and provide a personalised service to end users. Also the total trading and logistics handling services will be further expanded.

REFRIGERATION AND AIR-CONDITIONING

C. W. Mackie PLC's Refrigeration and Air-conditioning Division (R&AC) engages in the 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

Authorized importer/distributor and sales/services for:

- DANFOSS-Denmark : Refrigeration and air-conditioning equipment, components and accessories
- FRASCOLD-Italy : Semi hermetic compressors
- ROLLER GmbH-Germany : Evaporators and condensers
- ICOOL-China : Refrigerant gases and copper tubes
- GREEN POINT-China : Refrigerant gases and copper tubes
- INSULFLEX-Malaysia : Copper pipe insulation material
- Tianyi COOL-China : Cold room accessories

It was a mixed year for the R&AC Division and recorded a turnover growth of 4% over previous year despite the lacklustre business environment. Business from two of the main customer segments, namely, the dairy and fish industries were slow because both industries were in crisis. Although the performance of the food processing segment was satisfactory, the dairy industry suffered from a dearth of milch cows and the fish industry was in the doldrums due to competition with Indian fishermen whose better technology enabled them to reel in a bigger catch.

INSULFLEX insulation for copper tubing was also introduced to the market from Malaysia but sales were not as high as anticipated.

Despite these challenges, the Sector continued to maintain its leadership in the local refrigeration and gas industry, having attained a market share of between 30% to 35%. This was achieved by aligning with the GREENPOINT brand, one of the world's largest and most renowned gas manufacturers, which also facilitates the marketing of the Company's own 99% environment-friendly brand.

The R&AC Division is committed to moving away from using toxic gases in the cooling processes and rigorously promotes environment-friendly alternatives.

The Division follows a recruitment process to ensure that only technically qualified professionals are added to the team, to further ensure the quality of their products.

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.

PEOPLE

Training is given to the R&AC Technical team at Danfoss Industries (Private) Limited, India.

FUTURE STRATEGY

To further its aim of providing total solutions for the industrial R&AC business, the Company is looking at options to establish Danfoss brand heating controls business in Sri Lanka.

INDUSTRIAL PRODUCTS DIVISION

The Division imports and sells a range of welding equipment, maintenance welding alloys, rock drilling equipment, power generators and tools.

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.

PRODUCT PORTFOLIO

Products Categories:

1. Welding electrodes, rods, wires
2. Welding equipment and accessories
3. Rock drilling equipment and tools
4. Power generators

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
- Stonebridge-China: Welding electrodes and wires

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
   - MESSER Cutting Systems-India: Oxyfuel equipment and welding accessories

3. Rock drilling equipment and tools
   Authorised Importer and Distributor for:

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

4. Power Generators
   Authorised Importer for Sales and Services for:

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

> 'Stonebridge' welding electrodes manufactured in China, were introduced during the year to augment its portfolio of industrial consumables. This proved a fortuitous move because the new product became increasingly popular and leads the market today.

PERFORMANCE

The year recorded a turnover growth of 15% over the previous year's turnover but the profits are not up to expectations. Although the year started out well, the sluggish performance of the construction industry contributed to losses sustained in the last quarter of the year.

The main reason was that, many of the key construction projects are operated by Chinese parties and have agreements with their suppliers in China. Sri Lankan suppliers are sourced only in the event of a shortfall in supplies.

The Division moved out of its agency for heavy machinery products to focus on its portfolio of industrial consumables. This is a more profitable line of business as the cost is lower and products move faster.

'Stonebridge' welding electrodes manufactured in China, were introduced during the year to augment its portfolio of industrial consumables. This proved a fortuitous move because the new product became increasingly popular and leads the market today.

A cost leadership strategy was also adopted during the year to boost performance. This included a pricing strategy designed to open doors to business from Chinese construction companies, introduced in the latter part of year 2018. New markets are also being explored.

PEOPLE

The Division recruits only professionals with the required technical skills to the team to ensure that the end user is provided with an efficient and professional service. The Technical Services team was trained during the year at EWAC Alloys, India.

FUTURE STRATEGY

Future strategies include identifying untapped market segments to increase penetration and develop strong distribution channels.

LONGEVITY

VALUE CREATION MODEL

CAPITAL INPUTS

Financial Capital
Resources employed to achieve short term and long term strategic business objectives and support operations.
Equity
Debt

Manufacturing Capital
Manufacturing and other infrastructures used in manufacturing processes.
Property, Plant & Equipment

Human Capital
Business and technical know-how, skills and experience of our most valued employees.
Permanent Employees

Social and Relationship Capital
The stakeholder relationship we have built over the period and created sustainable value.
Strong Brands

Intellectual Capital
Tacit knowledge, ethical standards and business procedures.

Natural Capital
Natural resources that are used in creating business value.

APPROACH TO VALUE CREATION

Source
We source various materials and other resources needed for our diversified business operations of the Group and have built stronger and sustainable relationships with all our suppliers.

Produce
We manufacture and process rubber, FMCG and other diversified product range under stringent quality standards.

Social and Relationship Capital
The stakeholder relationship we have built over the period and created sustainable value.

Market
We offer a wide range of high quality products in the local and overseas markets covering different consumer and industry segments.

Distribution
We distribute all our products through well-structured efficient and effective distribution channels.

Governance and Risk Management
Corporate governance and risk management practices.

OUTPUTS AND OUTCOMES

Shareholders
Net Profit
Debt
Earnings Per Share
Dividends Per Share
Increase in Share Prices

Employees
Remuneration
Training Investment

Business Partners and Suppliers
Payments to Business Partners and Suppliers

Government
Tax Payments

Communities
Investments on CSR Projects

FINANCIAL CAPITAL

OVERVIEW AND APPROACH

Prioritising the use of its financial resources is critical to the long-term continuity of a company in today's evolving business landscape and volatility of a range of factors that are beyond its control.

The Company follows a focused approach to financial management that complies with the best practices and standards of all relevant statutory and regulatory bodies, as well as prudently managing risk. As a trading company *inter alia* the balance of inventory, debtors, borrowings and finance cost determine our bottom-line.
The Company operates from a position of strength and has the following key financial advantages:

- Availability of sufficient funds for business continuity due to proactive management of the cash flow
- Maintenance of a healthy statement of financial position
- A diverse customer and supplier portfolio that mitigates foreign currency risk

The Group attained a growth in gross profits (GP) of 16% to Rs.1.284 million during the year under review from Rs.1.110 million achieved in year 2017/18. This was as a result of the positive growth in export sales from the depreciated Sri Lanka Rupee (SLR) as well as several other positive factors that resulted in the growth and expansion of specific sectors of the Group, including an increase in the GP of export sales in crepe rubber mainly due to the reduced purchase price and commencement of a new line of revenue in the expanded logistical facilities offered for sugar storage. This resulted in an 28% growth in net profit before tax in the period under review to Rs.330.484 million, from Rs.256.5 million in the previous financial year.

Total comprehensive income attributable to equity holders for the year also increased by a healthy 240% to Rs.587.122 million during the year, from Rs.149.038 million in the preceding fiscal year. However, net finance cost rose by 15% during the year to Rs.110.95 million, from Rs.96.728 million in 2017/2018, due to the growth activities of the Group, which included the expansion in copper and industrial gases operations of the Refrigeration and Air-conditioning (R&AC) Division, the increase in the stock holding cost as a result of the expansion in sugar operations, to which was added a cash investment of Rs.335 million in joint venture operations with Co- Ro A/S, Denmark utilising short-term funds. The contribution by the joint venture subsidiary, Sunquick Lanka Properties (Private) Limited, of a cumulative net finance income of Rs.35 million helped reduce the Group's net finance cost.

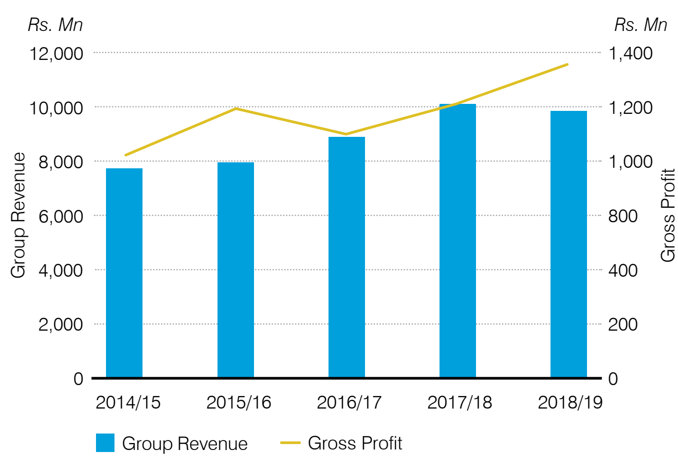
REVENUE AND PROFITABILITY

Rs. 000's

Financial Year	2014/15	2015/16	2016/17	2017/18	2018/19
Revenue	7,618,108	7,859,633	8,837,350	9,919,740	9,695,319
Gross profit	942,691	1,138,688	1,032,214	1,110,755	1,284,407
Gross profit margin	12%	14%	12%	11%	13%
Net profit before tax	273,773	401,923	349,068	256,532	330,484
Net profit margin	4%	5%	4%	3%	3%

Currency depreciation strengthened the GP from export orders and by introducing new value additions in the sugar trading business mainly induced to increase the GP margins. Import and trading Sectors, such as Industrial Products Division and R&AC Division as well as sales from some products, such as jumbo peanuts in the FMCG Sector did not achieve either their budgeted turnover or gross profit margin, mainly due to the high cost of imports due to depreciation of the SLR against the US$. However, due to the diversification of the business, the Group managed to increase its GP margins, although revenue reduced from the previous year's figure.

Group Revenue and Gross Profit



SELLING AND DISTRIBUTION AND ADMINISTRATION COSTS

During the year selling and distribution expenses increased by 2%, than the comparatives and administration costs increased by 13% over the previous year's figures, mainly due to inflation that caused upward pressure on fuel prices and annual salary increments. Also, stores rent and related expenses have increased with the expansion of the sugar handling operation, shifting of some divisions to a new rented warehouse with adequate space with effect from 2 January 2019 kept costs at an acceptable level.

FINANCE COST

Rs.000's

Financial Year	2014/15	2015/16	2016/17	2017/18	2018/19
Total borrowings	731,695	929,407	1,011,969	1,394,335	1,355,659
Net finance cost	52,711	7,865	67,371	96,728	110,952
Interest cover ratio	6.19	10.96	5.87	3.98	2.61

The cumulative net finance cost increased by 15% when compared with last year's actuals, mainly due to:

- Expansion of R&AC Division's operations (copper and gas)
- Expansion of sugar operations extended the stock holding cost
- Cash investment of Rs.335 million in joint venture operation using short-term funds
- 2017/18 dividend of Rs.126 million paid out of Rs.115 million approximated cash profit with an adjusted dividend pay-out ratio of 109%.

SHARE PERFORMANCE

Financial Year	2014/15	2015/16	2016/17	2017/18	2018/19
Dividends per share (Rs.)	3	3	3.5	3.5	3.5
Dividend pay out ratio (%)	60%	39%	53%	75%	62%
Net assets per share (Rs.)	51	56	59	59	72

Revaluation surplus from the fair value of freehold land amounting to Rs.445 million, considerably increased the net asset per share during the current financial year.

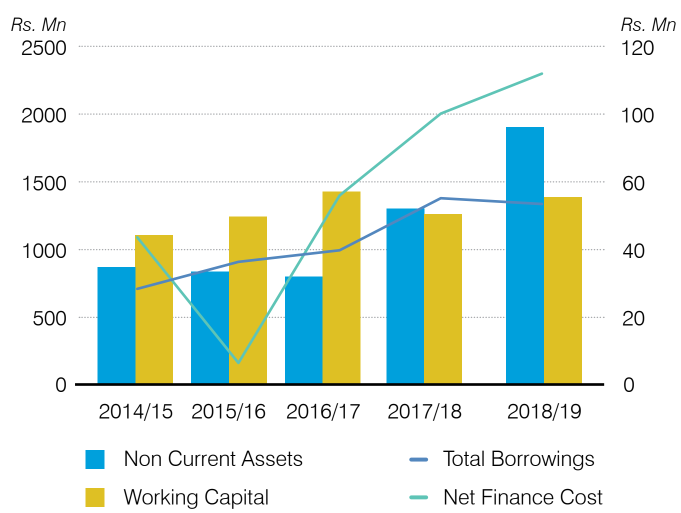
GROUP CAPITAL STRUCTURE AND GEARING

The nature of the trading business dictates the availability of adequate funds for prompt import and local purchases. Inventory, debtors, borrowings and finance cost are key controlling elements of managing working capital management.

During the year, the following changes occurred in the Group's capital structure:

- Obtaining a long-term loan of Rs.300 million
- Increasing trend of working capital requirements, mainly due to the expansion of the R & AC Division's copper and gas business and the expansion of sugar operations with extended stockholding cost, to which was added a cash investment of Rs.335 million to the joint venture operations using short-term funds

The graph below depicts the co-relation between the working capital, total borrowings and finance cost of the Group:



INTELLECTUAL CAPITAL

OVERVIEW

The creation of value in today's economy is increasingly dependent on the effective use of intellectual capital factors, which include tacit knowledge, brand reputation, systems and processes and corporate culture. These factors have helped develop innovative strategic planning approaches for achieving corporate vision, mission and goals.

Tacit Knowledge | Brand Reputation | Systems and Processes | Corporate Culture

Continuous Improvement/Research and Development

OUR APPROACH

Our intellectual capital defines how we sustain our corporate identity and our market position in the competitive environment over the past century of commencing as a business founded in 1900 as Merchants and Commission Agents under the name "C. W. Mackie & Company". We have now evolved as a public quoted diversified trading and manufacturing entity.

C. W. Mackie Group's corporate strategy focuses on continuous improvements supported by our research and development capabilities which drive the intellectual factors as they create significant value addition to the Group and its business sectors. Despite the fact that these variables do not appear in the Statement of Financial Position as they cannot be monetised, they are an essential part of the business process.

TACIT KNOWLEDGE

We have introduced a knowledge-based approach to all areas of our business, which reinforces our focus on quality, innovation, sustainability and have on board a committed competent team inclusive of professionals to realise our goals. Our loyal workforce is a healthy mix of new and long-standing employees who create a culture of care and support the sharing of ideas and initiatives. They have helped to strengthen our portfolio and expand operations. We invest substantially in upgrading their technical and professional skills at all levels.

Our technical experts at the manufacturing facilities are competent in designing and developing products to meet the demands and specifications of both local and international customers, which enables the Company to be competitive in the manufacturing industry.

Our impressive business portfolio has been strengthened and expanded with the assistance of our talented team and state-of-the-art technology.

BRAND REPUTATION

We hold the sole franchises of world-renowned brands Sunquick, Danfoss, Hempel, Santoor, Kiwi to name a few, which have an established international presence and reputation based on quality and trust.

Our proprietary brands, "Scan", "KVC", "Kotagala Kahata", have positioned our Company's presence in the mind of consumers in their respective categories, for jumbo peanuts, bottled drinking water, processed tropical fruits and vegetables and tea.

The positive reputation of these brands has built loyalty and increased customer confidence in our products, which has driven sales and substantially increased bottom-line-growth.

> "We have introduced a knowledge-based approach to all areas of our business, which reinforces our focus on quality, innovation, sustainability and have on board a committed competent team inclusive of professionals to realise our goals."

COPYRIGHTS AND TRADEMARKS

Our trademarks are registered at the National Intellectual Property Office Sri Lanka in respect of the food and beverage products we manufacture at our facilities, as well as trade marks for a range of industrial products.

SYSTEMS AND PROCESSES

The strength and effectiveness of our systems and processes have been validated through several quality accreditations received over the past years. These serve to provide assurance to our stakeholders on our commitment to operational excellence. Our manufacturing facilities and products are certified with well recognized local and global quality standards - ISO 9001:2008, ISO 22000:2005, HACCP, GMP, IFC, Organic certification from several international reputed regulatory frameworks (EU, USDA-NOP and JAS) and SLS standards.

CORPORATE CULTURE

Our corporate culture is performance based and collaborative. Our people share commonalities and strong bonds of loyalty and tradition are maintained. Rewards and recognition motivate employee performance.

MEMBERSHIP IN ASSOCIATIONS

C. W. Mackie PLC is a member of the following Associations which establish the Company's professionalism in the industry and the Group's adherence to industry standards and regulations:

- The Ceylon Chamber of Commerce and its several international councils and associations
- The National Chamber of Commerce of Sri Lanka
- The Employers' Federation of Ceylon (EFC)
- The Colombo Rubber Traders Association
- The Plastics and Rubber Institute of Sri Lanka
- The Bottled Water Association of Sri Lanka
- The Institute of Chartered Accountants of Sri Lanka

MANUFACTURING CAPITAL

"The Group has five manufacturing facilities, three in subsidiary companies Ceymac Rubber Company Limited, Ceytra (Private) Limited and Kelani Valley Canneries Limited and two manufacturing plants, Scan water bottling plant and Delish manufacturing and processing plant of C. W. Mackie PLC."

OVERVIEW AND APPROACH

Our manufacturing capital is a critical enabler for building the capacity of our business. Substantial investment is made in property, plant and equipment (PPE) to strengthen our core-competencies in manufacturing and trading. Operations are maintained at optimum levels and upgrades are made consistently to ensure the Group's manufacturing capital is on par with industry standards.

Our capital expenditure is based on an annual plan that evaluates present equipment against current technology, industry requirements, cost factors and budgets. C. W. Mackie Group's manufacturing capital comprises its PPE at a net book value Rs.1.35 billion as at end of the fiscal year 2018/19.

The Group has five manufacturing facilities, three in subsidiary companies Ceymac Rubber Company Limited, Ceytra (Private) Limited and Kelani Valley Canneries Limited and two manufacturing plants, Scan water bottling plant and Delish manufacturing and processing plant of C.W. Mackie PLC.

Ceymac Rubber Company Limited (Ceymac) manufactures for the local as well as overseas markets and has two factories for manufacturing technically specified rubber (TSR) and its more expensive counterpart, sole crepe.

TSR is manufactured using plantation scrap rubber in a technology-intensive process. The scrap rubber is cleaned using pre-cleaning machines with high water sprays and then crushed by a rubber breaker followed by crumbing using hammer mill, dried and finally pressed into bales using a hydraulic press. The bales are then subjected to standard tests to check for quality parameters.

All machinery is purpose-built for the processing of TSR. An additional soaking facility was introduced recently and machinery used in the process was upgraded.

A slab cutter will be introduced shortly to further improve the initial cleaning of scrap rubber to improve product quality.

Ceymac's manufacture of sole crepe process uses fresh liquid latex collected from smallholders and estate rubber plantations. The latex is initially treated using chemicals and coagulated in tanks, then milled using a variety of milling machines to get an even thickness of rubber laces. These laces are then dried at elevated temperatures followed by laminating, then cut using sole crepe cutter to get the finished product of high-quality sole crepe sheets.

Ceymac recently refurbished its coagulating tanks to further improve the quality of sole crepe.

Both processes, namely TSR and sole crepe manufacture, use a range of specialised machinery imported from overseas as well as manufactured locally, valued at book value of Rs.12.1 million. The factory buildings and land on which they stand are valued at Rs.80.5 million and Rs.473.0 million respectively.

Ceytra (Private) Limited (Ceytra) manufactures and exports moulded rubber products out of natural and synthetic rubber mainly for the European market. A significant quantity is also supplied to a reputed local supermarket chain.

The process commences with rubber compounds made by adding several chemicals in formulas prescribed for the specific products to be manufactured. These compounds are kneaded using a kneader machine and pressed into a pre-heated rubber mould then vulcanised to the desired shape. Finally, the finished products are tested for quality and packed for delivery.

Ceytra is in the process of developing a new high-tech vibration isolation pad for a new overseas customer in the construction industry. Plans are also in the pipeline to introduce a vulcanising press after evaluating the demand for the vibration isolation pad.

Scan Water Bottling Plant manufactures and distributes high quality bottled water, mainly to the local market under the "Scan" brand name.

A monoblock filler was introduced during the previous fiscal year. This equipment substantially improved efficiencies within the plant and doubled the capacity of bottled water produced. It comprises a rinser, filler and capper and is designed to fill 500 ml, 1 litre and 1.5 litres of bottled drinking water.

The plant has now installed a separate area with machinery to fill 5 litre and 19 litre bottles. All lines can be operated independently.

A separate purification plant has also been set up to enable the Company to provide its consumers with water that meets local and international standards of quality.

The building is valued at Rs.31.2 million while land and machinery are each valued at Rs.43.7 million and Rs.30.6 million respectively.

Kelani Valley Canneries Limited manufactures and sells processed food products made from locally produced fresh fruits and vegetables.

Although the business was labour intensive when first set up, processing machinery added later successfully stepped up production quantities. Early this year, the factory introduced a semi-automated filling line that improved hygiene, reduced labour costs and wastage and addressed issues of quality that may arise in the manufacturing process.

The processing machinery is valued at Rs.8.6 million and the factory building at Rs.32.3 million. The land is valued at Rs.99.0 million.

Delish Manufacturing Plant manufactures and processes bakery products under the “Delish” brand name for distribution mainly in the local market.

Jelly crystals, icing sugar and castor sugar are manufactured in the plant from raw materials, whereas corn flour, cocoa powder and gelatine are brought in, in their finished state for packing only.

For the manufacture of jelly crystals, high quality raw materials are mixed in a ribbon mixer and then packed by the multi head weigher packeting machine in a fully automated line complete with a vibratory feeder and bucket elevator.

Imported cornflour is hygienically packed into 1kg and 100g packets by an augur filler. A pin mill type sugar grinder is used in the manufacture of icing and castor sugar.

Additionally, the plant is equipped with three weighing scales for weighing 50kg, 3kg and 320g packs. A date coding machine stamps the manufactured date on the various packaging. Two sealers, the band sealer for 1 kg and 2.5 kg and the foot sealer for larger 25 kg polythene packs are also used in the final stages of the packaging process.

The total value of the machinery is Rs.11.0 million.

MAINTENANCE

Maintenance is scheduled regularly and carried out by trained technicians provided either by the suppliers of the machinery or trained inhouse. Every repair or maintenance job follows a regulated process and procedure.

FUTURE PLANS

The Company plans to invest in expanding its facilities and enhancing warehousing capacity to cater to diverse market segments. It will continue to move away from labour intensive operations, by investing in automated and semi-automated machinery which will improve production quality and quantity.

SOCIAL CAPITAL

"We harness the power of our employees to strengthen our links with local communities. Our staff works throughout the year on the identified projects, sharing their time and talents with disadvantaged groups. Staff volunteerism is a two-way process for us: it benefits the communities as well as builds skills in our employees that are brought back to the workplace to boost on-the job performance."

OVERVIEW

Corporate social responsibility is, today, a global initiative that many responsible companies embark upon because it influences corporate performance in several different contexts. Channelling a portion of profits to build a sustainable business brings numerous benefits not only to the recipients but to the company as well. It improves company image, forges loyalty with stakeholders and even influences areas that relate to the profitability of a business, like better access to credit, for example.

OUR APPROACH

The strength of our commitment to the community and environment in which we work is one yardstick by which we measure success. We are committed to seeing the community grow and develop as we make sustainable contributions towards enhancing their lives. This means that when identifying our projects, we opt for quality over quantity and prioritise only those projects that enable long-term involvement. This stems from our commitment to being closely involved ensuring that the benefits we bestow bring visible results over time.

We harness the power of our employees to strengthen our links with local communities. Our staff works throughout the year on the identified projects, sharing their time and talents with disadvantaged groups. Staff volunteerism is a two-way process for us: it benefits the communities as well as builds skills in our employees that are brought back to the workplace to boost on-the job performance.

OUR PROJECTS

Promoting Community Healthcare

We signed a five-year Agreement, with the option of renewal, to maintain Ward 32 of the Colombo National Hospital. This is a 48 bed surgical ward which we have now completely refurbished with new beds, bed linen and a range of utilities for patient care. This year we donated pillows for the ward and the ward was repainted by our staff.

We also continued to maintain Ward 10 at the Horana Base Hospital. This is our flagship project which has been carried out for over a decade. Over the years, our Company and staff have transformed the basic facilities the ward once offered, into a well-appointed unit equipped to meet the needs of patients, medical care providers and hospital authorities.

Several dengue prevention campaigns were also carried out in the Horana area, for the second consecutive year. The Company was once again supported in this venture by the MOH office of the area and helped clean up garbage and mosquito breeding sites to ensure a clean and healthy environment.

PROMOTING COMMUNITY LEISURE

We believe that leisure activities are an important aspect of community well-being and that sports is a means to this end and also transcends barriers of caste and creed. In keeping with this thinking, we have, over the years, built a strong partnership with volleyball, the country's national sport and continue to play a lead role in developing and popularising the sport in a variety of arenas.

This year too, we continued our support of the annual Mercantile Volleyball Tournament 2018, as *Gold Sponsor* and presented the coveted championship *"Sunquick Championship Trophy"*. Both men and women's teams participated in three categories - Super League, Championship and Division 'A'. The tournament commenced in September 2018 and was held over many weeks, concluding with the Grand Finale held on 10 and 11 November 2018 at the National Youth Services Council (NYSC) Indoor Stadium, Maharagama. The Company has been sponsoring the tournament for several years.

The sponsorship has, over the years, identified the Mercantile Volleyball Tournament closely with the Sunquick brand and provided high brand visibility on field and on air. This has helped improve awareness of the Company and its activities and forged a close relationship between the Company, the tournament and the sport.

Several other volleyball events have also been sponsored by C. W. Mackie PLC over the years. In 2005, the Company initiated the *"Sunquick Trophy" Beach Volleyball Tournament.* The final tournament commenced on 19 May 2018 at the new Sugathadasa Stadium Beach Volleyball Court which was declared open after the first-final tournament.

Promoting the Spiritual Welfare of the Community

The *Kotagala Kahata Dansela* was organised at Sri Padaya (Adams Peak) for the second year. This dansala was organised in March 2019, the peak season for the pilgrimage to the holy mountain and supplied devotees with much needed refreshments during their religious observances.

A *dolosmahe pahana* was donated to *Beligala Rajamaha Viharaya in Nelundeniya, Kegalle* and *Kasagala Rajamaha Viharaya in Kuliyapitiya* in May 2018 and March 2019, respectively as part of an ongoing project that pursues upgrading the facilities of old temples.

Several sets of exercise books were donated to two temples in the Horana area under the ongoing *Daham pasal* project. The books will be used by students at the temple's *Daham pasala* for Buddhist education studies.

FUTURE PLANS

We will continue in our quest to improve the lives of disadvantaged communities in many spheres of activity, by identifying and meeting needs as and when they arise.

NATURAL CAPITAL

OVERVIEW

Businesses and the goods and services they produce, are essential to the economic progress of society. But most goods and services use processes in their production and delivery that pollute the environment, either land, water or air. Environment pollution threatens the health and continuity of human, animal and plant life and has become the greatest challenge faced by the world today.

Responsible companies are realising this and are taking steps to introduce safeguards that mitigate the effects of their actions on the environment.

OUR APPROACH

As a manufacturing company, we understand that some of our production processes result in effluents that could pollute the environment if released untreated. As a responsible corporate citizen, we have taken a number of measures to ensure that these effluents cause the least harm to the environment. We have introduced a culture of environment protection and pollution prevention throughout the Group and follow a green manufacturing programme in our factories.

We ensure that our factories comply with all regulations stipulated by local authorities and periodically monitor and review manufacturing processes to ensure they have no adverse effects on the environment or on the people living in their vicinities.

We also realise that introducing green initiatives, benefits the Company as a whole as well, because we improve the overall efficiency of the business. We reduce energy consumption, use raw materials more efficiently, cut costs and improve efficiency while minimising waste and preventing pollution.

REDUCING THE ENVIRONMENT IMPACT OF OUR MANUFACTURING PROCESSES

Rubber Manufacturing

Rubber manufacturing uses chemicals and other components that produce waste and effluents. In our commitment towards sustainable production, we have introduced effluent treatment technology in the factory of our subsidiary Ceymac Rubber Company Limited, located in Narthupana, Horana, which ensures optimum resource utilisation while reducing and recycling solid waste. This treatment system was introduced many years ago at the factory and has been upgraded over the years. Industrial waste water generated from the production of technically specified rubber (TSR) is diverted to an effluent treatment system where it is treated and then discharged into a pond that supports the natural ecosystem. Fish have been introduced to monitor water quality in the pond and regular testing ensures that the quality of the discharged water is not harmful to the environment, in line with Central Environmental Authority (CEA) requirements.

The entire effluent treatment plant has been upgraded on the advice of the factory's consultant engineer during the year under review.

The odour produced in the manufacturing process is controlled by a scrubber air pollution system that was repaired and modified recently to improve its effectiveness.

As another cost effective and eco-friendly measure, the factory uses firewood instead of diesel for the gasifier to dry TSR and rubber crumbs.

Chemicals and other hazardous components are stored in sealed warehouses that provide access to authorised personnel only.

The factory holds the annual Environmental Protection License issued by the CEA, which has been renewed for the year 2019/20.

WATER BOTTLING

C. W. Mackie PLC's Scan Water Bottling Plant in Horana also uses effluent minimising technologies that comply with all local statutory and environmental standards and regulations and promote resource recovery and recycling of water.

We have introduced a water re-use programme that enables the re-use of about 10% to 15% of the water from the filler used to rinse the bottles prior to bottling. This water is subjected to treatment and processed for sanitation purposes. The water for bottling is pumped from tube wells installed in a carefully controlled environment within its premises which have the perimeter protection specified by statutory regulations.

The bottling plant promotes a green concept in all operations. It has introduced an eco-green landscaping system and is growing foliage in its surroundings to further its aim of fostering a green environment. Saplings have also been donated to nearby schools to create environment awareness among school children and surrounding communities.

"As a responsible corporate citizen, we have taken a number of measures to ensure that these effluents cause the least harm to the environment. We have introduced a culture of environment protection and pollution prevention throughout the Group and follow a green manufacturing programme in our factories."

Environmental Policy
"C.W. Mackie PLC, Scan Water Bottling Plant is committed to meet the environmental regulations beyond the expected levels applicable to the Bottled Drinking Water Industry and other related requirements through the process of a continuous improvement of its environmental management practices"

For the second consecutive year, the Company carried out several dengue prevention campaigns in the Horana area with the support of the MOH office, in which it helped clean up garbage to ensure a clean environment.

PROCESSING OF FRUITS AND VEGETABLES

Kelani Valley Canneries Limited, our subsidiary which processes fruits and vegetables also implements a number of process controls and pollution mitigation technologies at its factory in Kaluaggala.

Electricity and furnace oil are the fuels used in the processing operation. The water used in the production process is pumped from tube wells situated on the premises. A special treatment plant has been set up to re-use the water and treat effluents, for which its Environment Protection License (EPL) is renewed annually by the CEA.

The organic waste from the fruits and vegetables is used to produce fertiliser for growing vegetables at the "kotuwa" which is a recent initiative started in the factory garden. The harvest is sold to employees at a concessionary price. The fertiliser is also used for growing other plants on the factory premises

WASTE MANAGEMENT

We are deeply conscious of the environmental consequences of the waste material generated in our offices and have in place a sustainable materials strategy that focuses on increasing the use of recycled and renewable materials and reducing or eliminating undesirable materials. We continue to explore new ways of reducing this waste and new opportunities for recycling it more efficiently. This has had a positive impact as well in terms of reducing costs.

Paper is one of main consumables and conscious efforts are made to reduce the quantities of paper used. Simple measures like using both sides of a sheet of paper when printing and printing documents only when absolutely necessary, have successfully reduced quantities and costs. Paper management is carried out according to the 3R concept of reduce-reuse-recycle and used papers are given to third parties for recycling purposes.

PLANS FOR A SUSTAINABLE FUTURE

The Company continues to explore new ways to reduce its environmental footprint and will continue to communicate to the staff and communities the importance of introducing green initiatives to protect the environment. We will also pursue more initiatives to practice the precepts of a sustainable business. In these efforts, we plan to work towards attaining the stringent standards needed to win the "Presidential Environment Award" presented by the CEA. This premier environmental award recognises organisations that introduce sustainable and innovative green initiatives in their operations.

RELATIONSHIP CAPITAL

OVERVIEW AND APPROACH

Not all business growth is quantifiable in monetary terms and financial performance is not the only yardstick by which we measure business success. Our quest for sustainable long-term growth necessitates assessing business performance in intrinsically unquantifiable areas, such as in our relationships with our stakeholders. Thus, relationship capital is a key capital of the Company and building on this capital over the century-plus presence of the Group, is a core competency acquired over the years and which we are confident will pave the path to our continuous and sustainable development.

We roll out strategies that deliver stakeholder satisfaction by operating in an ethical manner as a responsible corporate citizen. We count these relationships as being among the Company's most valuable assets that provide us with returns by way of corporate recognition and brand endorsement.

Our relationship capital comprises our relationships with six key group of stakeholders, namely our shareholders, customers, employees, suppliers, financial service providers and the Government/Regulators who are fundamental to our value creation process.

Various initiatives have been taken to enhance stakeholder value which translates into stakeholder satisfaction.

SHAREHOLDERS

Our shareholders are vital to the business because it is they who provide the funds needed for growth. We carry out the business activities of the Company with the ultimate aim of, not only enhancing Company profitability, but also maximising shareholder wealth.

We acknowledge the importance of keeping our shareholders informed of all developments in our business and performance and give due consideration to their ideas, recognising their prerogative to exercise their rights in an informed manner.

We promote open communication and ensure consistency and clarity of disclosure at all times, with the ultimate aim of facilitating mutual understanding of our respective objectives. We engage with them at Annual General Meetings and Extraordinary General Meetings and other shareholder events and encourage our shareholders to contact the Company Secretary on any clarification or if further information is required. They are kept updated on our financial performance and activities through our Annual Reports, Interim Financial Statements and from information posted on the corporate website. They are also privy to Colombo Stock Exchange announcements and media communications on our value creation activities.

CUSTOMERS

We nurture our relationship with our customers because they are the primary source of our value creation and their confidence in our brands is the Company's main strength. We foster long-term sustainable relationships with them based on the excellence of the products we provide them and build their trust through product responsibility, service quality and open communication.

We have five channels of distribution to supply customers with our products. These are: General Trade (GT) - *retailers*, Modern Trade (MT) - *supermarket chains,* Food Services (FSS) - *HORECA,* Wholesale (WS) and Independent Supermarket (ISM) - *standalone supermarkets*. We have introduced a range of initiatives to reach the diverse consumer groups at various touch points in their lives, based on market analysis on their preferences and behaviour. The GT and WS segments are rewarded with consumer loyalty promotions; the FSS segment which comprises hotels, restaurants and caterers is supported with special events for the hotel industry and training events for smaller caterers; the MT segment is rewarded with price discounts and banded offers; ISM consumers are also rewarded with attractive product offers.

Interactive communication is maintained though technical support and site visits, invitations to dealer and sales conventions, management visits as well as one-on-one discussion whenever needed. Customers also obtain information about the Company and its products and activities from the corporate website and through our media communications. Customer satisfaction surveys are also a key means of reaching out to them and an important source of feedback on our service. These surveys have remained positive over the years.

EMPLOYEES

Our employees are the backbone of the business and critical to achieving our goals. Therefore, nurturing and developing them is central to the Company's strategy of strengthening its resources to meet the dynamic and evolving needs of stakeholders and society. Studies show that talent development also influences the provision of excellent customer service, motivates staff and reduces absenteeism and employee turnover as well as considerably increases productivity and efficiency.

The senior management has a close and interactive relationship with employees of all levels and is proud of the fact that it has no labour disputes, despite having a unionised workforce at Ceytra (Private) Limited, a subsidiary company.

Team meetings and activities are encouraged and the training and development needs of staff are identified at annual performance reviews.

Staff of every level are provided with training opportunities geared to ensure they benchmark the best talent in the industry. Opportunities are provided to upgrade skills to equip them to climb the corporate ladder, as well as training to fill gaps in skills and knowledge necessary for the job descriptions. Time and again the Company also provides need-based training on soft skills.

Reward schemes have also been introduced to motivate performance. Corporate communication is via emails/memos and the notice board.

Their work-life balance is also taken seriously and team spirit is encouraged at a range of recreational activities.

More information on the HR initiatives of the Group is available in the Human Capital Report on pages 76 to 79.

SUPPLIERS

With our suppliers we have established longstanding relationships, built and nurtured over the years, to ensure we are provided with products of the highest quality, reliability and most equitable prices. This is especially important to us since we manufacture and market many international brands that must be competitive on the global market by conforming to international standards of quality.

We have established procurement procedures for the purchases of various raw materials and finished goods for our manufacturing processes which follow best practices. We also attempt to, as far as possible, ensure that our suppliers follow ethical business practices in their production processes. Minute attention is paid to the quality of their supplies, since the Group trades in highly competitive international markets that demand specified and stringent standards of quality.

Our rubber manufacturing arm purchases latex and scrap rubber mainly from smallholders. This provides smallholders with a lucrative outlet for their produce.

Fruits and vegetable growers who supply to the subsidiary company, Kelani Valley Canneries Limited, must be registered with that Company as per the quality standards and specifications. The organic products are purchased only from a registered organic supplier who sources these products from farms growing organic fruits and vegetables. It is also mandatory for this supplier to have the international organic certifications applicable to each individual country.

We interact with our suppliers through one-to-one meetings whenever necessary, as well as at corporate events to which they are invited and support them with sponsorships of their events. They access information about us from the Annual Report, media communications, as well as from our corporate website.

GOVERNMENT AND REGULATORY BODIES

We have built cordial and interactive relationships with the Government and Regulatory Authorities with whom we communicate regularly with updates on products, processes and activities to ensure compliance with all applicable statutes and regulations for the manufacturing and trading industry. This communication is by way of submitting periodic returns and statements as well as by formal meetings and dialogues when required. They also access regular updates on our activities in the media.

BANKS AND OTHER FINANCIAL INSTITUTIONS

To maintain their long-term trust and confidence in our financial strength, we have built cordial business relationships to ensure healthy financial dealings with this key group of financiers.

We keep them apprised of developments in our business by providing them with regular business reports and financial statements and have personal meetings with them whenever required. They are also privy to public information obtained from our corporate website and media communications.

AFFIRMATION

We declare that during the year of review, there have been no significant, actual or potential, negative impacts on society based on our actions, no negative impacts of labour practices nor negative human rights impacts in the supply chain, nor has legal action been taken against us for anti-competitive behaviour by customers, suppliers or contractors.

FUTURE PLANS

We will continue to create value by aligning our stakeholders' expectations with Company objectives, monitor these expectations against delivery and introduce mitigating strategies wherever required.

We will also continue to foster long-term, sustainable relationships with our stakeholders based on the excellent quality of our products, strong brands and internationally recognised presence and reputation in the local and global markets.

STAKEHOLDER ENGAGEMENT

Stakeholder	Importance of Engagement/ Purpose	Engagement Mechanism
Shareholders	Shareholders are the owners of the Company and provide the funding necessary for business growth. Business activities are carried out to maximise shareholder value.	Mainly through: • Annual General Meeting • Interim Financial Statements released to Colombo Stock Exchange • Annual Report • Corporate Website • Announcements to the Colombo Stock Exchange They are also invited to approach the Company through the Company Secretary to obtain any clarification or express any concerns about any aspect of the Company
Customers (both domestic and overseas)	They increase the Company's revenue by purchasing the Company's products. Therefore, the Company aims at customer satisfaction by enhancing the quality of service and product delivery. They are approached through five strategically designed channels of distribution	• Corporate website • Technical support and site visits • Dealer and sales conventions • Management visits • One-on-one engagement when needed. • Customer satisfaction surveys • Media communications
Employees	They are the backbone of the business and deliver the Company's goals and strategies. They are responsible for the sustainable performance of the business.	• Annual appraisal system • A range of recreational activities organised by the Company and by its Sports Club • Training and career development programmes to develop their potential • Team meetings on performance and reviews • One-on-one discussions on relationship management. • Rewards and recognition system to motivate performance (eg. employee of the month) • Corporate communications via emails/memos and Company notice board.
Government and Regulatory Bodies	To ensure compliance with the applicable laws and regulations for promoting a conducive business environment.	• Submission of periodic returns/statements. • Regular updates via press and media. • Formal meetings/dialogues when needed.
Banks and Financial Institutions	To maintain long term trust that promotes healthy financial dealings	• Submission of regular reports/accounts. • One-on-one meeting/dialogue • Corporate website • Press/media releases
Supply Chain/ Suppliers	To establish strong business relationships for ensuring quality and cost-effective supplies that conform to stringent local and international standards of product quality	• Procurement procedures based on best practices • Corporate website • One-on-one meeting when needed. • Corporate functions and sponsorships • Annual Report.

HUMAN CAPITAL

OVERVIEW

A sound strategy, marketable product or service and effective processes are important for a business, but it is the people within who actually execute on the strategies, plans and processes to make a business successful. The better the quality of its employees and the higher their commitment, the more successful the business.

Human Resources Management (HRM) plays a strategic role in maximising the productivity of an organisation by optimising the effectiveness of its employees. That is to say, HRM ensures that employees have a pleasant and productive work environment and the skills needed to carry out the requirements of their job and that they are compensated adequately for the work they do. So, an effective human resource function adds considerable value to overall company direction and the realisation of its goals and objectives.

OUR APPROACH

We know that our employees are the key asset of the organisation and tailor our Human Resources (HR) function to create a harmonious and vibrant working environment that promotes two-way communication and employee engagement. Ours is a culture of recognition and rewards in which all employees feel they serve an important role.

Several new people-centric initiatives were introduced during the year to enhance the satisfaction of employees. More HR functions were made available online and new strategies were explored to staff the dynamic and expanding Group.

HUMAN RESOURCES MANUAL

Preliminary discussions were held in January 2019 on the review of the HR Manual that will be carried out during the next financial year. The Company's HR policies were re-looked at and areas that could be improved and updated were reviewed. New strategies to face future business challenges are now in the pipeline.

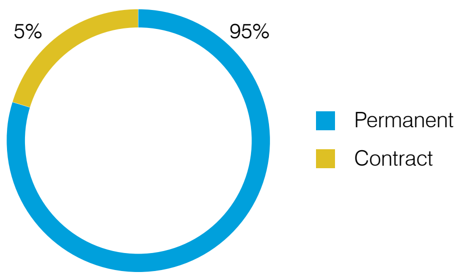
The Company's HR Manual is revised every five years to ensure that it reflects the contemporary country situation and also conforms to all applicable laws pertaining to human resources development. Innovative strategies are needed to create talent pools that meet the needs of the diversifying business; to develop a multi-faced talent pool to counter automated processes; to attract and retain millennials; to address the challenges of artificial intelligence. These are just some of the challenges in the rapidly evolving environment that the Company must meet.

STAFF PROFILES AND RELATED HR ANALYTICS

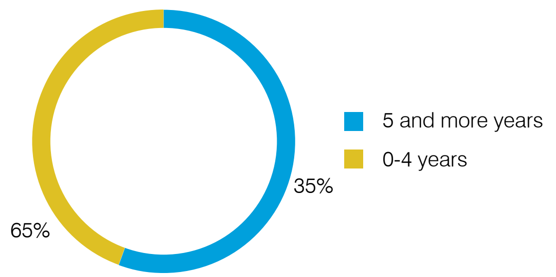
This will be carried out in addition to the existing service analysis which is still relevant. The function captures, processes and analyses data pertaining to the culture, patterns and ways in which people are recognised at work.

Over 65% of the employees in the Group have been working an average of five years, which confirms that the Company is a provider of sustainable employment. The staff mix is also a healthy one as it comprises a balance of staff under and above the ages of 35 years.

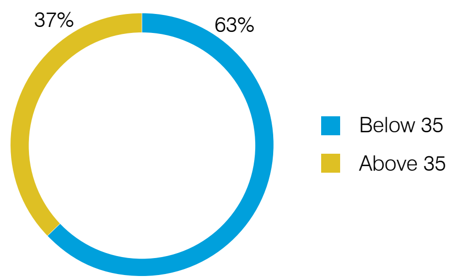
Employment Type Analysis



Employment Service Analysis



Employee Age Analysis



EQUAL OPPORTUNITY RECRUITMENT

The Group is committed to ensuring that no discrimination by way of gender, race, religion or caste is practiced at the stage of recruitment or at any other point during the employee's career with the Company and this is addressed in the HR policies of the Group.

CHILD LABOUR

We do not employ either males or females under 18 years of age in our offices nor factories. This includes employment in manual and semi-skilled work. The Company has maintained this minimum age of recruitment years from inception.

INDUSTRIAL HARMONY

The Group is also proud of its unblemished record of industrial harmony. No industrial disputes have occurred in any company in the Group or its subsidiaries over the past five years.

HUMAN RESOURCES DEVELOPMENT, INDUSTRIAL RELATIONS AND REMUNERATION MANAGEMENT

The fully-fledged centralised HR Division addresses the above mentioned three pillars of the HR function simultaneously, in accordance with the needs of a diversifying business. The entire remuneration management function is now online and interactive with the sophisticated system support of the Human Resources Information System (HRIS). This ensures that a diversified talent pool is in place in a number of locations and assures a smooth employee transition to the different locations. Live data on employee contributions is now supplied to the management of the various SBUs that enable timely and accurate preparation of the Monthly Human Resources Information (MHRI). This information is invaluable for forward planning purposes.

The Employee Life Cycle Module is now added to the HRIS and is live, interactive and accessible to employees, which further smoothens the workflow and promotes greater efficiency.

TRAINING AND DEVELOPMENT INITIATIVES

C.W. Mackie PLC Group conducts a highly diversified business which requires a range of competencies. During the year of review, a policy decision was taken at corporate level to decentralise the responsibility of identifying staff training needs from the HR Division. This function is to be delegated to the respective heads of each division, who are better placed to identify gaps in the knowledge of their own staff for fulfil present and future job descriptions. The HR Division will continue to be responsible for the execution of the training needs identified.

> "We know that our employees are the key asset of the organisation and tailor our Human Resources (HR) function to create a harmonious and vibrant working environment that promotes two-way communication and employee engagement. Ours is a culture of recognition and rewards in which all employees feel they serve an important role."

Sales training with Sri Lanka Institute of Marketing (SLIM) as best practices talent development

This year too, the Company continued with this custom-made Diploma in Professional Selling programme in partnership with SLIM. The training is designed for top performers in each category of sales and fills competency gaps and upgrades knowledge and skills to reach higher levels of performance in the competitive marketplace, in line with organisational and divisional objectives.

This is a professional one-year course that continues to be a component of the Company's retention strategy. Sixteen (16) participants will obtain the professional qualification on completion of the course this year.

Outbound Training

Staff of the manufacturing sector followed an outbound training course in Kitulgala on 8 December 2018 which provided them with a rigorous survival experience. The training was designed to equip them with the skills needed to overcome market challenges in the business world. They learnt aggressive team building skills, developed competencies and improved efficiencies that will stand them in good stead in the corporate jungle.

STAFF RECOGNITION

Annual Sales Conference

The Annual Sales Conference of the Scan Products Division was held on 4 and 5 May 2018 at Club Palm Bay Hotel, Marawila. Top performers in the field sales force were recognised with awards and certificates. Several training sessions and team building activities were also organised during the two-day event.

The sales theme "One Goal - One Force" for the financial year 2018/19 was also unveiled at the Conference.

The Company has been introducing a sales theme/mission statement each year from the financial year 2011/12, which has brought direction to the Scan Products Division and served to motivate staff. This has had positive results in terms of optimised performance and increased sales.

Competition

Subsidiary company, Kelani Valley Canneries Limited (KVC), organised a successful competition to recognise its best employees. The competition was designed to motivate KVC staff and the winners were awarded valuable gifts.

Long Service Awards

Long-serving employees of the Group were presented with valuable awards in recognition of their loyal and dedicated service to the Company through the years.

PROMOTING WORK-LIFE BALANCE

The Company believes that a healthy work-life balance is essential for the emotional and physical health and well-being of our staff and recognises the fact that it also plays an important role in improving their performance on the job.

To further enhance team spirit, a series of projects were organised, which include the annual Sports Club outing, volunteering in the National Hospital project, participation in the Dengue Prevention programme and Scan Sports Day. Members of the Sports Club also enjoyed a memorable day out at the Club Palm Bay Hotel, Marawila on 3 November 2018.

Our football team performed well in the football tournament organised by the Mercantile Football Association and was selected for the semi-finals.

The Company also supports employee welfare through the Sports Club, Death Donation Fund and the Employee Thrift and Saving Co-operative Society which provide employees with several benefits and also maintains better employee relations.

KVC organised a "Pirith Ceremony" on 11 May 2018 in commemoration of its 50th anniversary.

FUTURE PLANS

In keeping with contemporary demand, HRM is now shifting to take on a new mantle as a strategic partner of the Group and will be closely involved in ensuring the success of corporate business plans and objectives. With this in mind, the HR function is being strengthened in four primary areas of competency, namely, communication capabilities, analysis abilities, relationship-building skills and leadership qualities.

This will enable the HR Division to work closely with all other Divisions of the Company to promote constant learning experiences and ensure that employees stay up-to-date with the latest technologies. This creates a win-win situation for both the Company and our staff.

More learning and development prospects and meaningful employee engagement opportunities will be introduced in the forthcoming financial year, to equip our staff with the skills necessary to excel in the competitive business landscape.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

For the financial year ended 31 March 2019

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 2019 and the auditor's report on the Consolidated Financial Statements.

PRINCIPAL ACTIVITIES

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

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 11 to 17.

KELANI VALLEY CANNERIES LIMITED (KVC)

KVC's continuous losses have resulted in an erosion of its reserves and stated capital which in turn has created a serious loss of capital situation by January 2019 and made it incumbent on the Directors to act in compliance with Section 220 of the Companies Act No.7 of 2007 and further details are given on page 15 in the Chairman/Chief Executive Officer's Review.

STRATEGIES AND 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 both backward and forward integration and expanding its FMCG business portfolio into Personal and Household Care category by including all food and beverage and personal and household care categories into one Sector.

Focused management approach by clustering related business activities and optimising in-house capabilities to achieve the medium to long-term objectives is in progress.

Further information on future developments is provided in the Chairman/Chief Executive Officer's Review and the Business Review 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 2019 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 shares have been transferred from the Main Board and are traded on the Diri Savi Board of the Colombo Stock Exchange as from 22 June 2018.

Public holding percentage is 11.02% represented by 1,969 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 166 and 167 and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on page 8.

The twenty largest shareholders of the Company and details of public holding as at 31 March 2019 are indicated on page 167.

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 2019. 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	2019 Rs. 000's	2018 Rs. 000's
Revenue	9,695,319	9,919,740
Results from operating activities	**394,777**	**373,957**
Net financing costs	(110,952)	(96,728)
Share of joint venture's profit/(loss)	46,659	(20,697)
Profit before taxation	**330,484**	**256,532**
Income tax expense	(114,014)	(86,685)
Profit for the year	**216,470**	**169,847**
Non-controlling interests	13,002	1,252
Profit attributable to equity holders	**203,468**	**168,595**

The Financial Statements of the Company and Group are set out on pages 99 to 163 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 2019 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 2019 amounted to Rs.2,090.7 million (2018 - Rs.1,629.5 million). The movement of the reserves is given on page 101 under Statement of Changes in Equity and in the Notes 21 and 22 to the Financial Statements.

GROUP REVENUE

Group revenue was Rs. 9,695.3 million during the year under review (2018 - Rs.9,919.7 million).

DONATIONS

The Directors have approved and made donations of Rs.1.3 million (2018 - Rs.298,805/-) 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.24 of 2017 and subsequent amendments thereto. Details are given in Note 9 to the Financial Statements.

CAPITAL EXPENDITURE

The Group's capital expenditure on fixed assets and investments other than investments in subsidiaries during the year under review was Rs. 236.6 million (2018 - Rs.121.2 million).

BORROWINGS

Group total borrowing was Rs.1,355.6 million as at 31 March 2019 (2018 - Rs.1.394.3 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 33.

BOARD OF DIRECTORS

The present Directors of the Company are given on pages 18 and 19.

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 twelve (12) 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 resigned as a Director of the Company with effect from 19 March 2019. The Board of Directors wish to place on record their appreciation of the contribution of Mr. Alagarajah Rajaratnam to the deliberations of the Board during his tenure of office.

Deshabandu A. M. de S. Jayaratne 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. 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 21 May 2019 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 169. The appointment of Mr. W. T. Ellawala, Deshabandu A. M. de S. Jayaratne, Mr. R. C. Peries, 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 32.1 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 32.1 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 32.2 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 2019	Shareholding as at 1 April 2018
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 (upto 19 March 2019)	Nil	Nil

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors responsibility for financial reporting is given on page 84.

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 85 to 87.

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 127 to 131.

MARKET VALUE OF PROPERTIES

Land and buildings of the Group, which is carried at cost, were re-valued by professionally qualified independent valuers as at 31 March 2019. 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 88 and 89.

RATIOS AND MARKET PRICE INFORMATION

Details of ratios and relevant market price information are disclosed under Financial Highlights on page 8.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee and their Report is given on page 90.

AUDIT COMMITTEE

The composition of the Audit Committee and their Report is given on page 92.

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 2019 (Note 32.1).

The composition of the Related Party Transactions Review Committee and their Report is given on page 91.

AUDITORS

The Auditor's Report on the Financial Statements for the year under review is given on pages 93 to 98.

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.2.8 million (2018 - Rs.2.6 million) for the Company and Rs.4.7 million (2018 - Rs.4.3 million) for the Group, respectively and additionally for non-audit related work Rs.1.8 million (2018 - Nil) for the Company and Rs.1.8 million (2018 - Rs.0.138 million) for the Group, respectively.

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

By Order of the Board

W. T. Ellawala
Chairman/CEO

K. T. A. Mangala Perera
Executive Director

Ms. C. R. Ranasinghe
Company Secretary

Colombo
3 June 2019

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 pages 93 to 98 of this Annual Report.

The Directors are responsible:

- for the preparation of the Annual Report of 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 that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of its subsidiaries;
- to select suitable accounting polices which are applied in a consistent manner disclosing and explaining material departures there from, 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
3 June 2019

CORPORATE GOVERNANCE

The Directors are committed to maintain the highest standards of corporate governance practiced in the interest of stakeholders (notwithstanding that during the year under review the principal shareholders held 88.98% 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 six 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 18 and 19 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 2018 to 31 March 2019)
Mr. W. T. Ellawala	5/5
Ms. C. R. Ranasinghe	5/5
Deshabandu A. M. de S. Jayaratne	5/5
Mr. R. C. Peries	5/5
Mr. Anushman Rajaratnam	3/5
Mr. S. D. R. Arudpragasam	4/5
Dr. T. Senthilverl	5/5
Mr. H. D. S. Amarasuriya	2/5
Mr. K. T. A. Mangala Perera	5/5
Mr. Alagarajah Rajaratnam (upto 19 March 2019)	1/5

In order to apprise the members of the Board of 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 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 32.2 to the Financial Statements on page 151.

REMUNERATION COMMITTEE
The composition of the Remuneration Committee and their Report is given on page 90 of this Annual Report.

RELATIONSHIP WITH SHAREHOLDERS
The Company has opened up several channels to ensure sound communication with the shareholders. The Chairman/CEO, Executive Director and 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 93 to 98.

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 84.

Audit Committee

The composition of the Audit Committee and their Report is given on page 92 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 91 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 80 to 83 of this Annual Report.

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

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

3 June 2019

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 obtain appropriate professional and expert advise in the discharge of its functions.

During the financial year ended 31 March 2019 the Related Party Transactions Review Committee had five (5) meetings. 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 exceeds 10% of the gross revenue/income as per the audited financial statements for the year ended 31 March 2019.

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

3 June 2019

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 General Manager-Financial Services (upto May 2018) / General Manager-Group Finance (from May 2018) 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 2019 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 2020 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

3 June 2019

PERSEVERANCE

Financial Statements

INDEPENDENT AUDITOR'S 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 2019, 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 99 to 163.

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 2019, 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.

Emphasis of Matter

We draw our attention to Note 38 of the financial statements, which describes the effects of the restatement of the Group's prior year financial statement. Our opinion is not modified of this matter.

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.

Revenue Recognition

Refer to the accounting policies in "Note 3.16.1 to the Financial Statements: Revenue – sale of goods", "Note 5 to the Financial Statements: Revenue"

The key audit matter	Our responses
Revenue recognition is a significant audit risk across the all entities of the Group. During the year, the Group adopted SLFRS 15 - Revenue from Contracts with Customers (the New Revenue Standard) which specifies how and when an entity should recognize revenue along with the need to provide users of financial statements with more informative, relevant disclosures. Due to the Group's involvement in diversified industries and wide spectrum of businesses, the Group was required to consider relevant clarifications and guidance specifically relating to point of revenue recognition i.e. at a point in time or over the period, agent vs principal relationships in adoption of the new revenue standard. As more fully described in note 3.1.1 to the financial statements, the process of adoption involved consideration of relevant legal aspects, industry practices, use of management critical judgments and estimates. Considering all of the above matters, we determined the Group's adoption of the New Revenue Standard during the current year audit as a key audit matter.	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. • Test the quantification of adjustments arising from management's revenue recognition assessment for compliance with SLFRS 15 during the year and disclosures for its first time adoption.

Revaluation of Land	
Refer to the accounting policies in "Note 3.5.1 to the Financial Statements: Property, plant and equipment - Recognition and measurement", "Note 12 to the Financial Statements: Property, plant and equipment"	
The key audit matter	**Our responses**
The Group has revalued lands owned by the Group for Rs.742,000,000/- as at 31 March 2019 and recognized a revaluation gain of Rs.367,117,000/-, net of deferred tax for the year ended 31 March 2019. The fair value of lands were determined by an external independent valuer engaged by the Group. We identified this as a key audit matter because of the significant judgments and estimates involved in assessing the fair values of the lands.	Our audit procedures included; • Assessing the objectivity, independence, competency and capability of the external valuer engaged by the Company. • Reading the professional valuer's reports and assessing the key estimates made by the external valuer in deriving the fair values of the lands and comparing the same with evidence of current market values. • Assessing the adequacy of disclosures made in relation to the valuation technique, sensitivity and estimates used by the external expert in the financial statements.

Carrying Value of Inventories	
Refer to the accounting policies in "Note 3.10 to the Financial Statements: Inventories", "Note 15 to the Financial Statements: Inventories"	
The key audit matter	**Our responses**
As at the reporting date, the Group holds inventory of Rs.1,060,533,000/-. As discussed on page 115, 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.

Provision for impairment of Trade Receivables

Refer to the accounting policies in "Note 3.11 to the Financial Statements: Impairment", "Note 16.2 to the Financial Statements: Trade receivables"

The key audit matter	Our responses
As disclosed in Note 16.2 to the financial statements, the Group has recognized trade receivable balance of Rs.2,003,229,000/- as at 31 March 2019, after provision for impairment of Rs.46,833,000/-. The Group's customers operate in a number of sectors, having different credit profiles. SLFRS 9 - "Financial Instruments" introduces an ECL Model which takes into account judgment in setting the assumptions such as forward looking probability of default (PD), loss given default (LGD), macroeconomic scenarios including their weighting and judgments over the use of data inputs required. We identified impairment of trade receivables as a key audit matter for our audit, as it requires management to exercise subjective judgment in making assumptions and estimates for the assessment of provision for impairment of trade receivables.	Our audit procedures included; • Evaluating the appropriateness of the impairment methodology adopted by the Group in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management with the assistance of our specialist. • Evaluating the completeness, accuracy and relevance of data used in preparation of the impairment provision and transition adjustments. • Comparing the economic factors used in the models to market information to assess whether they are aligned with the market and economic development. • Evaluating the adequacy of the Group's disclosures regarding the degree of judgments and estimation involved in arriving at the provision for impairment of trade receivables and transition adjustments.

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

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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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
3 June 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group 2019 Rs. 000's	Group 2018 Rs. 000's Restated	Company 2019 Rs. 000's	Company 2018 Rs. 000's
Revenue	5	9,695,319	9,919,740	8,954,396	9,220,218
Cost of sales		(8,410,912)	(8,808,985)	(7,821,951)	(8,220,644)
Gross profit		1,284,407	1,110,755	1,132,445	999,574
Other operating income	6	164,089	230,125	189,978	303,897
Distribution expenses		(509,504)	(496,604)	(464,615)	(450,611)
Administrative expenses		(544,215)	(470,319)	(468,540)	(402,656)
Results from operating activities	7	394,777	373,957	389,268	450,204
Finance income		40,213	9,746	6,058	3,066
Finance costs		(151,165)	(106,474)	(135,913)	(89,403)
Net financing costs	8	(110,952)	(96,728)	(129,855)	(86,337)
Impairment of investments in subsidiary		-	-	-	(21,989)
Share of joint venture's profit/(loss)		46,659	(20,697)	46,659	(20,697)
Profit before taxation		330,484	256,532	306,072	321,181
Income tax expense	9	(114,014)	(86,685)	(104,907)	(84,726)
Profit for the year		216,470	169,847	201,165	236,455
Other comprehensive income/(expense) net of income tax					
Revaluation of land		445,032	-	87,032	-
Actuarial gain/(loss) on defined benefit plans		25,046	(20,141)	16,631	(15,224)
Related tax on other comprehensive income		(77,915)	-	(27,456)	-
Other comprehensive income/(expense) for the year, net of tax		392,163	(20,141)	76,207	(15,224)
Total comprehensive income for the year		608,633	149,706	277,372	221,231
Profit attributable to:					
Equity holders of the parent		203,468	168,595	201,165	236,455
Non-controlling interests		13,002	1,252	-	-
Profit for the year		216,470	169,847	201,165	236,455
Total comprehensive income attributable to:					
Equity holders of the parent		587,122	149,038	277,372	221,231
Non-controlling interests		21,511	668	-	-
Total comprehensive income for the year		608,633	149,706	277,372	221,231
Basic earnings per share (Rupees)	10	5.65	4.68	5.59	6.57
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 106 to 163.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2019 Rs.000's	Group 2018 Rs.000's Restated	Company 2019 Rs.000's	Company 2018 Rs.000's
Assets					
Non-current assets					
Property, plant and equipment	12.1 / 12.2	1,353,977	769,063	424,068	357,970
Investment property	12.3	205,942	214,129	23,980	28,779
Intangible assets	12.4	17,189	28,660	17,189	28,660
Investments in subsidiaries	13	-	-	871,518	871,518
Investment in joint venture	14	333,802	287,143	333,802	287,143
Deferred tax asset	28.1	9,395	9,395	-	-
Total non-current assets		1,920,305	1,308,390	1,670,557	1,574,070
Current assets					
Inventories	15	1,018,366	886,422	914,852	799,430
Trade and other receivables	16	2,381,485	2,478,733	2,241,615	2,255,134
Interest bearing short term loan to related parties	17	120,178	-	120,178	-
Other investments	18	-	-	-	-
Cash and cash equivalents	19	295,757	298,622	83,492	66,852
Total current assets		3,815,786	3,663,777	3,360,137	3,121,416
Total assets		5,736,091	4,972,167	5,030,694	4,695,486
Equity and liabilities					
Equity					
Stated capital	20	507,047	507,047	507,047	507,047
Capital reserves	21	8,734	8,734	14,909	14,909
Revaluation reserve		359,428	-	59,576	-
Revenue reserves	22	1,722,554	1,620,820	1,949,939	1,858,103
Equity attributable to equity holders of the parent		2,597,763	2,136,601	2,531,471	2,380,059
Non-controlling interests	23	345,377	323,866	-	-
Total equity		2,943,140	2,460,467	2,531,471	2,380,059
Liabilities					
Non-current liabilities					
Long term borrowings	24.2	193,381	2,669	191,590	-
Lease payable after one year	25.1	795	1,032	-	-
Retirement benefit obligation	26	42,484	64,206	16,711	32,078
Deferred income/revenue	27.1	250	325	-	-
Deferred tax liability	28.1	136,335	56,055	54,373	27,395
Total non-current liabilities		373,245	124,287	262,674	59,473
Current liabilities					
Deferred income/revenue	27.2	75	75	-	-
Current portion of long term borrowings	24.2	101,659	1,376	99,960	-
Lease payable within one year	25.2	237	205	-	-
Interest bearing short term borrowings	29	974,738	1,262,784	882,738	1,121,801
Income tax payable	30	57,935	56,542	51,592	55,392
Trade and other payables	31	1,200,213	940,162	1,159,676	977,689
Bank overdrafts	19	84,849	126,269	42,583	101,072
Total current liabilities		2,419,706	2,387,413	2,236,549	2,255,954
Total liabilities		2,792,951	2,511,700	2,499,223	2,315,427
Total equity and liabilities		5,736,091	4,972,167	5,030,694	4,695,486
Net asset value per share (Rupees)		72.18	59.37	70.34	66.13

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 106 to 163.

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

C. Welengoda
General Manager - Group Finance

The Board of Directors are responsible for preparation and presentation of these financial statements.
The Financial Statements on pages 99 to 163 were approved by the Board of Directors and were signed in Colombo on 3 June 2019 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 2019

Group	Stated capital Rs.000's	Capital reserve Rs.000's	Revaluation reserve Rs.000's	General reserve Rs.000's	Retained earnings Rs.000's Restated	Total Rs.000's	Non-controlling Interests Rs.000's Restated	Total Rs.000's
	Attributable to equity holders of the parent company							
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								
Restated profit for the year **(Note A)**	-	-	-	-	168,595	168,595	1,252	169,847
Other comprehensive expense, net of tax	-	-	-	-	(19,557)	(19,557)	(584)	(20,141)
Total comprehensive income for the year	-	-	-	-	149,038	149,038	668	149,706
Contributions by and distributions to equity holders								
Dividends	-	-	-	-	(125,960)	(125,960)	-	(125,960)
Subsidiary dividend to non controlling interest	-	-	-	-	-	-	(368)	(368)
Acquisition of non controlling interest	-	-	-	-	-	-	294,960	294,960
Total distributions to equity holders	507,047	8,734	-	7,000	1,639,013	2,161,794	324,269	2,486,063
Deferred tax on revaluation of land **(Note B)**	-	-	-	-	(25,193)	(25,193)	(403)	(25,596)
Restated balance as at 31 March 2018	507,047	8,734	-	7,000	1,613,820	2,136,601	323,866	2,460,467
Balance as at 1 April 2018	507,047	8,734	-	7,000	1,613,820	2,136,601	323,866	2,460,467
Total comprehensive income for the year								
Profit for the year	-	-	-	-	203,468	203,468	13,002	216,470
Other comprehensive income, net of tax	-	-	359,428	-	24,226	383,654	8,509	392,163
Total comprehensive income for the year	-	-	359,428	-	227,694	587,122	21,511	608,633
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 2019	507,047	8,734	359,428	7,000	1,715,554	2,597,763	345,377	2,943,140

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 106 to 163.

STATEMENT OF CHANGES IN EQUITY (Contd.)

For the year ended 31 March 2019

Company	Stated capital Rs.000's	Capital reserve Rs.000's	Revaluation reserve Rs.000's	General reserve Rs.000's	Retained earnings Rs.000's	Total Rs.000's
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
Balance as at 1 April 2018	507,047	14,909	-	7,000	1,851,103	2,380,059
Total comprehensive income for the year						
Profit for the year	-	-	-	-	201,165	201,165
Other comprehensive income, net of tax	-	-	59,576	-	16,631	76,207
Total comprehensive income for the year	-	-	59,576	-	217,796	277,372
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 2019	507,047	14,909	59,576	7,000	1,942,939	2,531,471

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 106 to 163.

Note A : Correction of errors

During 2017/18, the Group discovered that profit on disposal of land to Sunquick Lanka Properties (Private) Limited, a subsidiary of C. W. Mackie PLC had not been eliminated in its consolidated financial statements. As a consequence, other income and the related assets have been overstated. The error has been corrected by restating 2017/18 financial statement line items.

Note B : Deferred tax effect on revaluation of freehold land

The group elected to apply the optional exemption to use the previous revaluation as deemed cost for freehold land on 1 April 2011, the date of SLFRS transition. The pretransition revaluation surplus was transferred to retained earnings as at that date.

Freehold land which are treated as investment assets for tax purposes has not been considered for deferred tax in the previous year, since the Act requires the market value as at 30 September 2017 to be considered as cost. The deemed cost at which the freehold land treated as investment assets are recognised in the financial statements are below the market value of these respective lands as at 30 September 2017. This error has been corrected by restating 2017/18 financial statement line items.

The following tables summarise the impacts of Note A and B on the Group's consolidated financial statements;

Consolidated statement of financial position

As at 1 April 2018	Impact on restatement		
In Rs.000's	As previously reported	Adjustment	As restated
Assets			
Investment property	264,098	(49,969)	214,129
Other assets	4,758,038	-	4,758,038
Total assets	5,022,136	(49,969)	4,972,167
Equity			
Revenue reserve (Note 22)	1,695,982	(75,162)	1,620,820
Non controlling interest	324,269	(403)	323,866
Others	515,781	-	515,781
Total equity	2,536,032	(75,565)	2,460,467
Liabilities			
Deferred tax liability	30,459	25,596	56,055
Other liabilities	2,455,645	-	2,455,645
Total liabilities	2,486,104	25,596	2,511,700
Total equity and liabilities	5,022,136	(49,969)	4,972,167

Consolidated statement of profit or loss and OCI

	Impact on restatement		
In Rs.000's	As previously reported	Adjustment	As restated
Other income	280,094	(49,969)	230,125
Others	(60,278)	-	(60,278)
Profit for the year	219,816	(49,969)	169,847

STATEMENT OF CASH FLOW

For the year ended 31 March	Group		Company	
	2019 Rs. 000's	2018 Rs. 000's Restated	2019 Rs. 000's	2018 Rs. 000's
Cash flows from operating activities				
Profit before taxation	330,484	256,532	306,072	321,181
Adjustments for :				
Depreciation and amortisation of investment property, intangible assets and property, plant and equipment	116,158	115,060	88,537	86,475
Profit on disposal of property, plant and equipment	(14,934)	(20,530)	(12,819)	(18,594)
Profit on disposal of available for sale investments	-	(91,725)	-	(141,693)
Share of joint venture's (profit)/loss	(46,659)	20,697	(46,659)	20,697
Provision for retirement benefit obligation	16,796	12,625	10,513	7,748
Finance income	(38,852)	(5,591)	(6,058)	(1,262)
Finance costs	151,165	106,474	135,913	89,403
Income from investments	-	-	-	(622)
Unrealised profit on inventory	(262)	(528)	-	-
Provision for slow moving inventories	31,331	7,977	29,258	6,082
Provision/(reversal) for market returns	(2,537)	460	(12,000)	220
Provision for impairment of trade receivables	13,098	9,551	12,608	9,026
Provision for impairment of investment in subsidiaries	-	-	-	21,989
Operating profit before working capital changes	555,788	411,002	505,365	400,650
Changes in working capital				
Change in inventories	(163,013)	(50,101)	(144,680)	(52,664)
Change in trade and other receivables	84,150	(418,380)	(1,147)	(271,539)
Change in Interest bearing short term loan to related parties	(120,178)	-	(120,178)	-
Change in trade and other payables	262,588	89,737	193,987	52,925
Change in deferred income/revenue	(75)	-	-	-
Cash generated from operating activities	619,260	32,258	433,347	129,372
Interest paid	(150,999)	(106,412)	(133,854)	(89,403)
Payments to gratuity fund	(12,087)	(10,982)	(9,249)	(8,348)
Gratuity paid	(1,385)	(2,332)	-	-
Income tax/ESC paid	(110,256)	(119,463)	(109,186)	(117,967)
Net cash flows from/(used in) operating activities	344,533	(206,931)	181,058	(86,346)

For the year ended 31 March	Group		Company	
	2019 Rs. 000's	2018 Rs. 000's Restated	2019 Rs. 000's	2018 Rs. 000's
Cash flows from investing activities				
Purchase of property, plant and equipment	(236,621)	(121,188)	(51,491)	(79,302)
Proceeds from disposal of property, plant and equipment	15,173	19,846	12,977	17,754
Investment in joint ventures	-	(36,570)	-	(36,570)
Investment in subsidiary	-	-	-	(90,000)
Proceeds from share issues to non controlling interests	-	294,960	-	-
Dividend received	-	-	-	622
Net cash flows (used in)/from investing activities	(221,448)	157,048	(38,514)	(187,496)
Cash flows from financing activities				
Long term borrowings/(repayments)	290,995	(856)	291,550	-
Short term borrowings obtained/(repayments)	(288,046)	332,155	(239,063)	329,172
Lease rental paid	(371)	(155)	-	-
Interest received	38,852	5,591	6,058	1,262
Dividend paid	(125,960)	(126,328)	(125,960)	(125,960)
Net cash flows (used in)/from financing activities	(84,530)	210,407	(67,415)	204,474
Net changes in cash and cash equivalents	38,555	160,524	75,129	(69,368)
Cash and cash equivalents at beginning of the year	172,353	11,829	(34,220)	35,148
Cash and cash equivalents at the end of the year (Note 19)	210,908	172,353	40,909	(34,220)

Figures in brackets indicate deductions.

The Financial Statement are to be read in conjunction with the related notes, which form a part of the financial statements set out on pages 106 to 163.

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 Property (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 motor car rentals to Group Companies.

1.3 Ultimate parent enterprise

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

This is the first set of the financial statements in which SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in Note 3

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 Changes in significant accounting policies

The Group applies SLFRS 15 – "Revenue from Contracts with Customers" and SLFRS 9 "Financial Instruments" for the first time that require restatement of previous Financial Statements.

There was no material impact on the Group's financial statements, other than classification changes, the effect of initially applying these standards is mainly attributed to the following classification changes and assessments:

- Reclassification of market return provision of selected FMCG product contracts with a right of return and refund liability
- Reclassification of slotting fees and allowances to distributors.

- Reassessment of impairment losses recognised on financial assets based on 'expected credit loss' (ECL) model.

3.1.1 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement.

The following tables summarise the impacts of adopting SLFRS 15 on the Group's statement of financial position as at 31 March 2018 and 2019 and its statement of profit or loss and OCI for the years then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 March 2018 and 2019.

Impact on the statement of financial position

As at		31 March 2019			31 March 2018		
Group	Note	As reported Rs.000's	SLFRS 15 Adjustments Rs.000's	After adopting SLFRS 15 Rs.000's	As reported Rs.000's	SLFRS 15 Adjustments Rs.000's	After adopting SLFRS 15 Rs.000's
Total non-current assets		1,920,305	-	1,920,305	1,308,390	-	1,308,390
Inventories	A	939,128	79,238	1,018,366	764,220	122,202	886,422
Trade and other receivables		2,381,485	-	2,381,485	2,478,733	-	2,478,733
Other current assets		415,935	-	415,935	298,622	-	298,622
Total assets		5,656,853	79,238	5,736,091	4,849,965	122,202	4,972,167
Total equity		2,884,445	-	2,884,445	2,460,467	-	2,460,467
Total non-current liabilities		431,940	-	431,940	124,287	-	124,287
Trade and other payables		1,120,975	79,238	1,200,213	817,960	122,202	940,162
Other current liabilities		1,219,493	-	1,219,493	1,447,251	-	1,447,251
Total liabilities		2,772,408	79,238	2,851,646	2,389,498	122,202	2,511,700
Total equity and liabilities		5,656,853	79,238	5,736,091	4,849,965	122,202	4,972,167

As at		31 March 2019			31 March 2018		
Company	Note	As reported Rs.000's	SLFRS 15 Adjustments Rs.000's	After adopting SLFRS 15 Rs.000's	As reported Rs.000's	SLFRS 15 Adjustments Rs.000's	After adopting SLFRS 15 Rs.000's
Total non-current assets		1,670,557	-	1,670,557	1,574,070	-	1,574,070
Inventories	A	835,614	79,238	914,852	677,228	122,202	799,430
Trade and other receivables		2,241,615	-	2,241,615	2,255,134	-	2,255,134
Other current assets		203,670	-	203,670	66,852	-	66,852
Total assets		4,951,456	79,238	5,030,694	4,573,284	122,202	4,695,486
Total equity		2,531,471	-	2,531,471	2,380,059	-	2,380,059
Total non-current liabilities		262,674	-	262,674	59,473	-	59,473
Trade and other payables		1,080,438	79,238	1,159,676	855,487	122,202	977,689
Other current liabilities		1,076,873	-	1,076,873	1,278,265	-	1,278,265
Total liabilities		2,419,985	79,238	2,499,223	2,193,225	122,202	2,315,427
Total equity and liabilities		4,951,456	79,238	5,030,694	4,573,284	122,202	4,695,486

Impact on the consolidated statement of profit or loss and OCI

For the year ended		31 March 2019			31 March 2018		
				After			After
		As reported	SLFRS 15	adopting	As reported	SLFRS 15	adopting
	Note		Adjustments	SLFRS 15		Adjustments	SLFRS 15
Group		Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Revenue	A, B	9,694,093	1,226	9,695,319	9,971,812	(52,072)	9,919,740
Cost of sales	A	(8,367,948)	(42,964)	(8,410,912)	(8,808,985)	-	(8,808,985)
Distribution expenses	A, B	(563,242)	41,738	(521,504)	(548,676)	52,072	(496,604)
Others		(546,433)	-	(546,433)	(444,304)	-	(444,304)
Profit for the year		216,470	-	216,470	169,847	-	169,847
Total comprehensive income for the year		549,938	-	608,633	149,706	-	149,706

For the year ended		31 March 2019			31 March 2018		
				After			After
		As reported	SLFRS 15	adopting	As reported	SLFRS 15	adopting
	Note		Adjustments	SLFRS 15		Adjustments	SLFRS 15
Company		Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Revenue	A, B	8,953,170	1,226	8,954,396	9,272,290	(52,072)	9,220,218
Cost of sales	A	(7,778,987)	(42,964)	(7,821,951)	(8,220,644)	-	(8,220,644)
Distribution expenses	A, B	(518,353)	41,738	(476,615)	(502,683)	52,072	(450,611)
Others		(454,665)	-	(454,665)	(312,508)	-	(312,508)
Profit for the year		201,165	-	201,165	236,455	-	236,455
Total comprehensive income for the year		277,372	-	277,372	221,231	-	221,231

(A) FMCG product contracts with a right of return

Under LKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made. Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

"Therefore, for those contracts for which the Group was unable to make a reasonable estimate of returns, revenue is recognised sooner under SLFRS 15 than under LKAS 18. The impact of these changes on items other than revenue is a decrease in the refund liability, which is included in trade and other payables. In addition, there is a new asset for the right to recover returned goods, which is presented as part of inventory."

Accordingly current year over provision of refund liability amounting to Rs. 12 million adjusted through right to return goods assets and refund liability.

(B) Slotting fees and allowances to distributors

Rent and electricity paid to customers in respect of allocation of space for product displaying is reclassified from distribution expenses as a revenue deduction component in respect of contract with customers. Accordingly Rs. 53.7 million (2018-Rs. 52.1 million) reclassified from distribution expenses as a revenue deduction.

SLFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams.

3.1.2 SLFRS 9 - Financial instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The following table below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2018.

Group	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39 Rs.000's	New carrying amount under SLFRS 9 Rs.000's
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	2,478,733	2,478,733
Other investments	Held to maturity	Amortised cost	-	-
Cash and cash equivalents	Loans and receivables	Amortised cost	298,622	298,622
			2,777,355	2,777,355
Financial liabilities				
Interest bearing long term borrowings	Other financial liabilities	Other financial liabilities	(4,045)	(4,045)
Lease liability	Other financial liabilities	Other financial liabilities	(1,237)	(1,237)
Interest bearing short term borrowings	Other financial liabilities	Other financial liabilities	(1,262,784)	(1,262,784)
Trade and other payable	Other financial liabilities	Other financial liabilities	(940,162)	(940,162)
Bank overdraft	Other financial liabilities	Other financial liabilities	(126,269)	(126,269)
			(2,334,497)	(2,334,497)

Company	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39 Rs.000's	New carrying amount under SLFRS 9 Rs.000's
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	2,255,134	2,255,134
Other investments	Held to maturity	Amortised cost	-	-
Cash and cash equivalents	Loans and receivables	Amortised cost	66,852	66,852
			2,321,986	2,321,986
Financial liabilities				
Interest bearing short term borrowings	Other financial liabilities	Other financial liabilities	(1,121,801)	(1,121,801)
Trade and other payable	Other financial liabilities	Other financial liabilities	(977,689)	(977,689)
Bank overdraft	Other financial liabilities	Other financial liabilities	(101,072)	(101,072)
			(2,200,562)	(2,200,562)

Impairment of financial assets
SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined and reassess the application of SLFRS 9's impairment requirements as at 1 April 2018 and 31 March 2019 and LKAS 9 did not have a significant impact on the impairment allowance for financial assets.

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

3.2.1 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.

3.2.2 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".

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

3.2.4 Consolidation of entities with different accounting periods

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

3.2.5 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 par-ties 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 deter-mines 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.

3.3 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.

3.4 Financial instruments

3.4.1 Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a part to the contractual provisions of the investment.

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

3.4.2 Classification and subsequent measurement

3.4.2.1 Financial assets

i) Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at; amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequently to their recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL;

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL;

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Business model assessment

The Group makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes;

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management?
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de-recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

b) Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

ii) Policy applicable before 1 April 2018

The Group classified its financial assets into one of the following categories.

- Loans and receivables;
- Held to maturity;
- Available for sale and
- At FVTPL, and within this category as;

  Held for trading
  Designated as at FVTPL

a) Subsequent measurement and gains and losses:

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial as-sets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available for sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were deregnised, the gain or loss accumulated in equity was reclassified to profit or loss.

3.4.2.2 Financial liabilities

i) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.4.3 Derecognition

3.4.3.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3.4.3.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.4.5 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.

3.5 Property, plant and equipment

3.5.1 Recognition and measurement

Items of property, plant and equipment are measured at cost or 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.

From 31 March 2019, freehold land of the Group is recognised at revalued amount and such revaluation will be assessed once in three yeas.

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.

3.5.2 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.

3.5.3 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.

3.5.4 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.

3.5.5 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.

3.6 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.

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

3.7.1 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.

3.7.2 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

3.8 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.

3.9 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.

3.10 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.

3.11 Impairment
3.11.1 Financial assets
3.11.1.1 Non derivative financial assets

i) Policy applicable from 1 April 2018

Financial instruments

The Group recognises loss allowances for ECLs (Expected Credit Loss) on:

- financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk has not increased significantly since initial recognition which are measured at 12 month ECLs.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including for ward looking information.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 360 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

Evidence that a financial asset is credit-impaired includes the following observable data;

- Significant financial difficulty of the borrower;
- A breach of contract;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

ii) Policy applicable before 1 April 2018

Non-derivative financial assets

Financial assets not classified as at FVTPL were assessed at each reporting date to deter-mine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- Default or delinquency by a debtor;
- Indication that a debtor or issuer would enter bankruptcy;
- Adverse changes in the payment status or borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties: or
- Observable data indicating that there was a measurable decrease in the expected cash flows from financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortised cost	The Group considered evidence of impairment for these assets at an individual asset level. All assets were individually assessed for impairment. An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

3.11.2 Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such exists, then the assets recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, 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.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

3.12 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.

3.13 Employee benefits

3.13.1 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.

3.13.2 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 26 to the Financial Statements.

3.14 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 34 and 35 respectively to the Financial Statements.

3.15 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.

3.16 Revenue

The Group has initially applied SLFRS 15 from 1 April 2018. The effect of initially applying SLFRS 15 is described in Note 3.1.1

3.16.1 Sale of goods

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15 (applicable from 1 April 2018)	Revenue recognition under LKAS 18 (applicable before 1April 2018)
Local trading of consumer products, industrial products, commodities and rubber based products	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category. Some contracts permit the customer to return an item. No loyalty points provided to customers.	Revenue is recognised when the goods are loaded to lorries and the delivery order is raised. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data . In thesecircumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (Note 31) and the right to recover returned goods is included in inventory (Note 15). The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.	Revenue is recognised when the goods are loaded to lorries and the delivery order is raised and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of re-turns could be made.

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15 (applicable from 1 April 2018)	Revenue recognition under LKAS 18 (applicable before 1April 2018)
Export of rubber based products	Export sales are recognized on the date of bill of lading signifying transfer of risks and rewards of ownership to the buyer as per International Commercial Term (INCOTERM). Invoices are usually payable within 60 days and no discounts, no loyalty points or no permit to return an items are provided to customers.	Export sales are recognized on the date when shipped on board signifying transfer of risks and rewards of ownership to the buyer as per International Commercial Term (INCOTERM) and initially recorded at the relevant exchange rates prevailing on the date of the transaction.	Export sales are recognized on the date when shipped on board signifying transfer of risks and rewards of ownership to the buyer as per International Commercial Term (INCOTERM) and initially recorded at the relevant exchange rates prevailing on the date of the transaction.

3.16.2 Rendering of services

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

3.16.3 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.

3.17 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.

3.18 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.

3.19 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.

3.19.1 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.

3.19.2 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.

3.20 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.

3.21 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.

3.22 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.

3.23 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.

3.24 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 2019. Accordingly, these Standards have not been applied in preparing these Financial Statements.

4.1 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		Company	
	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
5. REVENUE				
Gross revenue	10,426,629	10,634,219	9,643,643	9,930,070
Less:				
Trade and free issues	(135,649)	(131,310)	(135,410)	(131,310)
Turnover related taxes	(595,661)	(583,169)	(553,837)	(578,542)
Net revenue	9,695,319	9,919,740	8,954,396	9,220,218

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

The effect of initially applying SLFRS 15 on the Group's revenue from contracts with customers is described in Note 3.1.1 comparative information has been reclassified to reflect the new requirements.

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

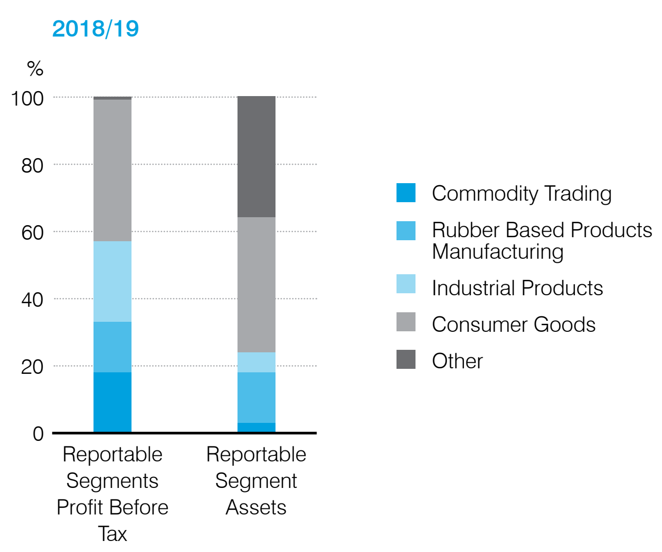
- Industrial products
  Import and sale of welding equipment and consumables and light engineering products, refrigeration and air-conditioning components and marine paints and protective coatings.

- Consumer goods
  Manufacture and trading of FMCG products.

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

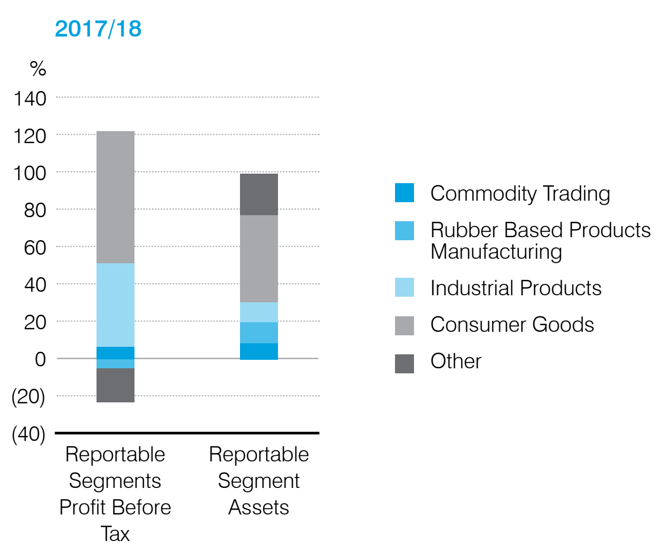
For the year ended 31 March 2019

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	1,689,889	697,042	850,435	6,663,445	-	9,900,811
Inter-segment revenue	-	(12,636)	(2,525)	(190,331)	-	(205,492)
Revenue from external customers	1,689,889	684,406	847,910	6,473,114	-	9,695,319
Segment gross profit	167,532	113,421	205,248	798,206	-	1,284,407
Operating overheads	(109,213)	(45,032)	(109,624)	(628,145)	(15,653)	(907,667)
Depreciation and amortisation	(6,423)	(17,729)	(9,226)	(33,947)	(48,833)	(116,158)
Contribution to defined benefit plan for gratuity	(1,576)	(5,168)	(2,103)	(4,795)	(3,154)	(16,796)
Provision for impairment of trade debtors	-	10	(7,082)	(6,026)	-	(13,098)
Other operating income	278	5,980	2,637	31,380	123,814	164,089
Results from operating activities	50,598	51,482	79,850	156,673	56,174	394,777
Finance income (including foreign exchange loss)	7,775	3,535	-	1,394	27,509	40,213
Finance costs	-	(6,461)	(1)	(17,196)	(127,507)	(151,165)
Share of joint venture's profit	-	-	-	-	46,659	46,659
Profit/(loss) before taxation	58,373	48,556	79,849	140,871	2,835	330,484
Income tax expense	(24,907)	150	(27,004)	(55,130)	(7,123)	(114,014)
Profit for the year	33,466	48,706	52,845	85,741	(4,288)	216,470
Total assets	174,813	865,232	315,835	2,315,107	2,065,104	5,736,091
Total liabilities	621,535	193,994	60,697	1,261,776	654,949	2,792,951
Capital expenditure	6,333	7,166	12,427	29,462	181,233	236,621
Total depreciation	6,423	17,729	9,226	33,947	48,833	116,158



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	6,803,854	-	10,162,927
Inter-segment revenue	(840)	(19,982)	(84)	(222,281)	-	(243,187)
Revenue from external customers	1,796,935	663,802	877,430	6,581,573	-	9,919,740
Segment gross profit	115,035	67,478	227,465	700,777	-	1,110,755
Operating overheads	(97,614)	(52,782)	(106,066)	(555,708)	(17,517)	(829,687)
Depreciation and amortisation	(5,588)	(21,776)	(7,061)	(33,343)	(47,292)	(115,060)
Contribution to defined benefit plan for gratuity	(1,161)	(4,051)	(1,549)	(3,537)	(2,327)	(12,625)
Provision for impairment of trade debtors	-	-	(5,414)	(4,137)	-	(9,551)
Other operating income	226	3,112	8,572	99,026	119,189	230,125
Results from operating activities	10,898	(8,019)	115,947	203,078	52,053	373,957
Finance income including foreign exchange gain	6,853	2,373	41	(3,877)	4,356	9,746
Finance costs	(45)	(5,939)	(1)	(16,369)	(84,120)	(106,474)
Share of joint venture's loss	-	-	-	-	(20,697)	(20,697)
Profit/(loss) before taxation	17,706	(11,585)	115,987	182,832	(48,408)	256,532
Income tax expense	(5,746)	(1,109)	(24,657)	(40,259)	(14,914)	(86,685)
Profit/(loss) for the year	11,960	(12,694)	91,330	142,573	(63,322)	169,847
Total assets	445,435	558,151	563,043	2,356,693	1,048,845	4,972,167
Total liabilities	140,685	130,364	351,807	965,343	923,501	2,511,700
Capital expenditure	166	6,696	12,249	37,054	65,023	121,188
Total depreciation	5,588	21,776	7,061	33,343	47,292	115,060



For the year ended 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's Restated	Company 2019 Rs.000's	Company 2018 Rs.000's
6. OTHER OPERATING INCOME				
Sundry income	29,286	16,744	28,852	14,076
Profit on disposal of property, plant and equipment	14,934	112,255	12,819	160,287
Government grants	75	75	-	-
Service fee	1,494	1,160	20,900	13,160
Export handling fee	-	-	21,866	17,871
Rent income	118,300	99,891	105,541	97,881
Dividend income	-	-	-	622
	164,089	230,125	189,978	303,897

For the year ended 31 March		Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
7. RESULTS FROM OPERATING ACTIVITIES					
7.1 Results from operations is stated after charging:					
Depreciation on					
- Property, plant and equipment		94,616	97,864	71,514	70,110
- Investment property		9,318	5,630	4,799	4,799
- Intangible assets		12,224	11,566	12,224	11,566
Directors' emoluments	(Note 32.2)	29,907	28,301	27,151	25,792
Personnel expenses	(Note 7.3)	299,885	275,955	206,692	191,206
Auditors' remuneration - Audit fees		4,675	4,275	2,800	2,600
- Non-audit services		1,829	138	1,829	-
- Audit related fee and expenses		1,038	408	944	112
Other auditors' remuneration - Internal audit fees		1,111	1,548	564	1,051
Provision/(reversal) for market returns		(2,537)	460	(12,000)	220
Provision for obsolete inventories	(Note 15.1)	31,331	7,977	29,258	6,082
Provision for impairment of trade receivables	(Note 16.3)	13,098	9,551	12,608	9,026
7.2 Results from operations comprise those of the:					
Company		389,268	450,204	389,268	450,204
Subsidiary companies		5,509	(76,247)	-	-
		394,777	373,957	389,268	450,204
7.3 Personnel expenses:					
Salaries and wages		241,725	229,880	166,537	160,774
Contribution to defined contribution plans (EPF/MSPS/ ETF)		41,364	33,450	29,642	22,684
Contribution to defined benefit plan for gratuity	(Note 26.6)	16,796	12,625	10,513	7,748
		299,885	275,955	206,692	191,206

For the year ended 31 March		Group		Company	
		2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
8. NET FINANCING COSTS					
Interest cost					
Interest on other borrowings		150,999	106,412	133,855	89,403
Lease interest		166	62	-	-
Net foreign exchange loss		-	-	2,058	-
		151,165	106,474	135,913	89,403
Interest income					
Interest on fixed deposits/savings accounts		(38,852)	(5,591)	(3,781)	(607)
Interest from inter company balances		-	-	(2,277)	(655)
Net foreign exchange gain		(1,361)	(4,155)	-	(1,804)
		(40,213)	(9,746)	(6,058)	(3,066)
		110,952	96,728	129,855	86,337
9. INCOME TAX EXPENSE					
9.1 Current tax expense					
Income tax on current year's profit	(Note 9.3)	90,560	92,015	84,146	90,479
Under/(over) provision for previous year		21,089	(4,140)	21,239	(4,140)
		111,649	87,875	105,385	86,339
Deferred tax expense					
Deferred taxation	(Note 28)	2,365	(1,190)	(478)	(1,613)
		2,365	(1,190)	(478)	(1,613)
		114,014	86,685	104,907	84,726

9.2 The Company and subsidiaries, except Ceymac Rubber Company Limited, are liable for income tax at the rate of 28% on taxable profits in accordance with the provisions of Inland Revenue Act No. 24 of 2017. Ceymac Rubber Company Limited is liable for income tax at the concessionary rate of 14% under predominary concept on export activities and same rate will be applicable for entire taxable income as a single tax rate.

For the year ended 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
9.3 Reconciliation of accounting profit to income tax:				
Profit before income tax	330,484	256,532	306,072	321,181
Less: Other sources of income	(11,708)	(6,015)	(6,058)	(1,261)
Aggregate disallowable expenses	(33,214)	269,851	97,270	250,012
Aggregate allowable expenses	(133,308)	(104,263)	(102,821)	(76,168)
Aggregate disallowable income	(14,934)	(162,259)	-	(160,287)
Other sources of income	11,708	6,015	6,058	1,261
Total statutory income	149,028	259,861	300,521	334,738
Tax losses set-off	(30,436)	(5,163)	-	-
Assessable income	118,592	254,698	300,521	334,738
Taxable income	118,592	254,698	300,521	334,738
Applicable tax rates:				
Income tax @ 28%	90,560	88,725	84,146	88,081
Income tax @ 12%	-	3,290	-	2,398
Total income tax on taxable profit	90,560	92,015	84,146	90,479
9.4 Accumulated tax losses				
Tax losses at the beginning of the year	417,818	404,059	-	-
Adjustment to the tax loss brought forward	(565)	(17,362)	-	-
Loss for the year	32,121	36,284	-	-
Tax loss set off during the year	(30,436)	(5,163)	-	-
Tax losses at the end of the period	418,938	417,818	-	-
9.5 Economic service charge				
Balance at the beginning of the year	50,259	41,568	38,763	31,373
Payments made during the year	49,672	47,480	47,212	45,299
Set off against income tax	(51,079)	(37,973)	(51,074)	(37,909)
Write-off during the year	(1,749)	(816)	-	-
Balance at the end of the year	47,103	50,259	34,901	38,763

10. BASIC EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year attributable to ordinary shareholders divided by 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 2019	Group 2018	Company 2019	Company 2018
Net profit attributable to ordinary shareholders (Rs.'000)	203,468	168,595	201,165	236,455
Weighted average number of ordinary shares	35,988,556	35,988,556	35,988,556	35,988,556
Earnings per share (Rupees)	5.65	4.68	5.59	6.57

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

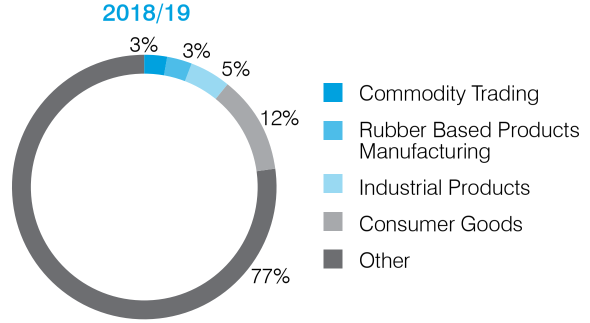
12.1 Property, plant and equipment - Group

As at 31 March

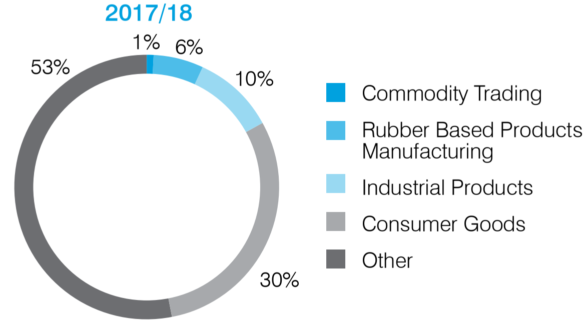
	Buildings on Leasehold Land Rs.000's	Freehold Land Rs.000's	Freehold Buildings Rs.000's	Plant, Machinery and Tools Rs.000's	Computer and other Installations Rs.000's	Office, Factory and Lab Equipments Rs.000's	Freehold Motor Vehicles Rs.000's	Furniture and Fittings Rs.000's	Capital Work-in-Progress Rs.000's	Leasehold Motor Vehicles Rs.000's	Total 2019 Rs.000's	Total 2018 Rs.000's
Cost												
Balance at the beginning of the year	38,419	296,968	223,647	312,826	69,971	28,569	274,953	41,422	10,437	2,145	1,299,357	1,183,709
Adjustment for Write off	-	-	-	-	-	-	-	-	-	-	-	(3,604)
Additions during the year	-	-	795	3,962	3,270	3,721	31,894	16,747	174,348	-	234,737	101,423
Disposals during the year	-	-	-	(2,301)	(742)	(165)	(17,348)	-	-	-	(20,556)	(41,140)
Revaluation during the year	-	445,032	-	-	-	-	-	-	-	-	445,032	-
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	58,969
Balance at the end of the year	38,419	742,000	224,442	314,487	72,499	32,125	289,499	58,169	184,785	2,145	1,958,570	1,299,357
Accumulated depreciation												
Balance at the beginning of the year	20,689	-	43,606	226,020	40,262	20,625	154,000	24,950	-	142	530,294	455,454
Adjustment for Write off	-	-	-	-	-	-	-	-	-	-	-	(38)
Depreciation charge for the year	2,949	-	10,145	22,305	10,415	2,282	41,109	4,982	-	429	94,616	97,864
Disposals during the year	-	-	-	(2,220)	(741)	(165)	(17,191)	-	-	-	(20,317)	(40,195)
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	17,209
Balance at the end of the year	23,638	-	53,751	246,105	49,936	22,742	177,918	29,932	-	571	604,593	530,294
Written down value:												
As at 31 March 2019	14,781	742,000	170,691	68,382	22,563	9,383	111,581	28,237	184,785	1,574	1,353,977	
As at 31 March 2018	17,730	296,968	180,041	86,806	29,709	7,944	120,953	16,472	10,437	2,003		769,063

Segmental Capital Expenditure

2018/19



2017/18



12.2 Property, plant and equipment - Company

As at 31 March

	Buildings on Leasehold Land Rs.000's	Freehold Land Rs.000's	Freehold Buildings Rs.000's	Plant, Machinery and Tools Rs.000's	Computer and other Installations Rs.000's	Office, Factory and Lab Equipments Rs.000's	Freehold Motor Vehicles Rs.000's	Furniture and Fittings Rs.000's	Total 2019 Rs.000's	Total 2018 Rs.000's
Cost										
Balance at the beginning of the year	38,419	82,968	41,725	121,246	60,229	28,569	250,021	35,148	658,325	555,336
Adjustment for Write off	-	-	-	-	-	-	-	-	-	(3,604)
Additions during the year	-	-	767	228	3,270	3,721	26,268	16,484	50,738	78,687
Disposals during the year	-	-	-	-	(742)	(165)	(14,429)	-	(15,336)	(31,063)
Revaluation during the year	-	87,032	-	-	-	-	-	-	87,032	-
Assets held for sale	-	-	-	-	-	-	-	-	-	58,969
Balance at the end of the year	38,419	170,000	42,492	121,474	62,757	32,125	261,860	51,632	780,759	658,325
Accumulated depreciation										
Balance at the beginning of the year	20,689	-	7,637	62,191	32,522	20,625	135,766	20,925	300,355	243,348
Adjustment for Write off	-	-	-	-	-	-	-	-	-	(38)
Depreciation charge for the year	2,949	-	3,091	11,598	9,677	2,282	37,681	4,236	71,514	70,110
Disposals during the year	-	-	-	-	(741)	(165)	(14,272)	-	(15,178)	(30,274)
Assets held for sale	-	-	-	-	-	-	-	-	-	17,209
Balance at the end of the year	23,638	-	10,728	73,789	41,458	22,742	159,175	25,161	356,691	300,355
Written down value:										
As at 31 March 2019	14,781	170,000	31,764	47,685	21,299	9,383	102,685	26,471	424,068	
As at 31 March 2018	17,730	82,968	34,088	59,055	27,707	7,944	114,255	14,223		357,970

	Group		Company	
	2019 Rs.000's	2018 Rs.000's Restated	2019 Rs.000's	2018 Rs.000's
12.3 Investment property				
Cost				
Restated balance at the beginning of the year	248,525	62,344	62,344	62,344
Additions	1,131	236,150	-	-
Adjustment	-	(49,969)	-	-
Restated balance at the end of the year	249,656	248,525	62,344	62,344
Accumulated depreciation				
Balance at the beginning of the year	34,396	28,766	33,565	28,766
Depreciation charge for the year	9,318	5,630	4,799	4,799
Balance at the end of the year	43,714	34,396	38,364	33,565
Written down value as at 31 March	205,942	214,129	23,980	28,779

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 2019, by Mr. K. T. D. Tissera, J. P. U. M., an independent professional valuer, Diploma in Valuation (Sri Lanka), F. R. I. C. S.(Eng.), F. I. V. (Sri Lanka), Chartered Valuation Surveyor. These properties were valued based on income method for existing use basis.

Fair value of the investment property as at 31 March 2019 is as follows;

Company/Location	Fair value Rs.Mn
C. W. Mackie PLC No: 36, D.R.Wijewardena Mawatha, Colombo 10	270.8
Sunquick Lanka Properties (Private) Limited Munagama, Horana	275.0
Total	545.8

Rent income is included in the statement of comprehensive income as follows;

For the year ended 31 March	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
Rent income	118,300	99,891	105,541	97,881
Direct operating expenses arising from investment property that generated rental income during the year	21,101	16,917	14,272	15,070

	Group		Company	
	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
12.4 Intangible Assets				
Software purchased				
Cost				
Balance at the beginning of the year	67,517	63,294	67,517	63,294
Adjustment for write-back	-	3,608	-	3,608
Additions	753	615	753	615
Balance at the end of the year	68,270	67,517	68,270	67,517
Accumulated amortisation				
Balance at the beginning of the year	38,857	22,428	38,857	22,428
Adjustment for Write off	-	4,863	-	4,863
Amortisation for the year	12,224	11,566	12,224	11,566
Balance at the end of the year	51,081	38,857	51,081	38,857
Written down value as at 31 March	17,189	28,660	17,189	28,660

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 2019 is Rs.319 million (2018-Rs.251 Mn)

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31 March 2019 is Rs.166.8 million (2018-Rs.140 Mn)

(ii) Leasehold land and buildings

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

(iii) Assets pledged as securities against bank borrowings

Details of assets pledged are disclosed in Note 24.3 and 29.2

12.6 Property, plant and equipment extent

Company/Location	Extent	No of Buildings
Leasehold Land and Buildings	1A, 2R, 13.86P	4
C. W. Mackie PLC		
No: 36, D.R.Wijewardena Mawatha, Colombo 10		
Investment Property	57,158 Sq Ft	2
C. W. Mackie PLC		
No: 36, D.R.Wijewardena Mawatha, Colombo 10		
Sunquick Lanka Properties (Private) Limited	2A,3R,33.07P	8
Munagama, Horana		
Freehold Land and Building	3A,0R,5.21P	4
C. W. Mackie PLC		
Scan Water Bottling Plant - Munagama, Horana		
Ceymac Rubber Company Limited	5A,0R,0.45P	11
Aramangolla, Horana	5A,1R,10.00P	8
Thebuwana, Narthupana		
Kelani Valley Canneries Limited	2A,0R, 35.00P	7
Kaluaggala, Hanwella		

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 2019.

12.9 Capital work-in progress

The capital work-in progress balance represent the cost incurred by Sunquick Lanka Properties (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.

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 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	307,000
	-	-	766,475	766,475
Kelani Valley Canneries Limited	-	-	127,032	127,032
Less: Provision for impairment loss	-	-	(21,989)	(21,989)
	-	-	105,043	105,043
			871,518	871,518

Fair value adjusted net assets of Kelani Valley Canneries Limited as at 31 March 2019 is Rs.119 million.

14. INVESTMENTS IN JOINT VENTURE

	Group 2019	Group 2018	Company 2019	Company 2018
Sunquick Lanka (Private) Limited	333,802	287,143	333,802	287,143
	333,802	287,143	333,802	287,143

14.1 The company has a 49% interest in Sunquick Lanka (Private) Limited, a join 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.

14.2 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 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
Summarised statement of profit or loss and other comprehensive income				
Revenue	1,475,450	1,041,722	1,475,450	1,041,722
Operating expenses	(1,376,635)	(1,075,862)	(1,376,635)	(1,075,862)
Other operating income	4,732	-	4,732	-
Finance income	-	1,967	-	1,967
Finance cost	7,249	(10,065)	7,249	(10,065)
Income tax	(15,225)	-	(15,225)	-
Other comprehensive expense	(348)	-	(348)	-
Total comprehensive income/(expense) for the year	95,223	(42,238)	95,223	(42,238)
Share of profit/(loss) for the year	46,659	(20,697)	46,659	(20,697)

	Group		Company	
	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
Summarised statement of financial position				
Non current assets	427,457	240,747	427,457	240,747
Current assets	878,611	888,751	878,611	888,751
Non current liabilities	-	4,668	-	4,668
Current liabilities	624,839	538,823	624,839	538,823
Equity	681,229	586,007	681,229	586,007
Carrying amount of the investments	333,802	287,143	333,802	287,143
Equity Reconciliation				
Carrying value as at 1 April	287,143	-	287,143	-
Investment made during the year	-	307,840	-	307,840
Share of profit/(loss)	46,659	(20,697)	46,659	(20,697)
Carrying value as at 31 March	333,802	287,143	333,802	287,143

Subsidiaries - Unquoted	Principal Activity	Holding %	Deemed Cost	
			31.03.2019 Rs.000's	31.03.2018 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	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.	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.	51.00%	307,000	307,000

As at 31 March		Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
15. INVENTORIES					
Raw materials		38,785	20,292	4,697	1,615
Work-in-progress		9,263	10,604	-	-
Finished goods		881,324	710,981	836,295	667,106
Goods-in-transit		693	108	693	108
Other consumables		51,230	42,240	29,566	23,947
Right to recover returned goods		79,238	122,202	79,238	122,202
		1,060,533	906,427	950,489	812,978
Less: Provision for slow moving inventories	(Note 15.1)	(42,167)	(20,005)	(35,637)	(15,548)
		1,018,366	886,422	914,852	799,430
15.1 Provision for Slow Moving Inventories					
Balance at the beginning of the year		20,005	14,291	15,548	10,889
Provision made during the year		31,331	7,977	29,258	6,082
Write-off during the year		(9,169)	(2,263)	(9,169)	(1,423)
Balance at the end of the year		42,167	20,005	35,637	15,548

Inventories mentioned above are stated at the lower of cost and net realisable value. Inventories amounting to Rs.981.3 million (2018 - Rs.784.2 million) have been pledged as security for short term loans and overdraft facilities obtained from banks (Note 29.2)

As at 31 March		Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
16. TRADE AND OTHER RECEIVABLES					
Trade receivables from related parties	(Note 16.1)	19,990	529	85,315	6,119
Trade receivables	(Note 16.2)	2,003,229	2,093,297	1,845,897	1,938,387
Deposits		13,323	8,127	12,477	7,180
Loans to employees	(Note 16.4)	21,299	19,682	6,098	7,103
Other receivables	(Note 16.5)	323,644	357,098	291,828	296,345
		2,381,485	2,478,733	2,241,615	2,255,134

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
16.1 Trade receivable from related parties:				
Ceymac Rubber Company Limited	-	-	4,411	2,951
Ceytra (Private) Limited	-	-	3,096	2,639
Sunquick Lanka Properties (Private) Limited	-	-	2	-
Kelani Valley Canneries Limited	-	-	58,174	-
Ceylon Tapes (Pvt) Ltd	26	-	37	-
Ceylon Trading Company Limited	162	-	162	-
E.B.Creasy & Company PLC	5	237	5	237
York Hotel Management Services Limited	129	111	129	111
Beruwala Resorts Limited	132	181	132	181
Union Commodities (Private) Limited	17,848	-	17,479	-
Candy Delights Limited	1,688	-	1,688	-
	19,990	529	85,315	6,119

The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at the rate of 12.5% per annum, (2018: 12%).

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
16.2 Trade receivables:				
Trade receivables - Local sales	1,884,028	1,930,176	1,790,633	1,815,261
- Export sales	166,034	199,199	99,489	157,086
	2,050,062	2,129,375	1,890,122	1,972,347
Less : Provision for impairment loss **(Note 16.3)**	(46,833)	(36,078)	(44,225)	(33,960)
	2,003,229	2,093,297	1,845,897	1,938,387

Trade debtors amounting to Rs.2,050 million (2018 - Rs.2,129 million) have been pledged as security for short term loans and overdraft facilities obtained from banks (Note 29.2).

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
16.3 Provision for impairment loss:				
Balance at the beginning of the year	36,078	31,308	33,960	29,703
Provision made during the year	13,098	9,551	12,608	9,026
Write-off during the year	(2,343)	(4,781)	(2,343)	(4,769)
Balance at the end of the year	46,833	36,078	44,225	33,960
16.4 Loans to employees:				
Balance at the beginning of the year	19,682	18,125	7,103	7,497
Loans granted during the year	17,205	17,006	7,689	7,559
	36,887	35,131	14,792	15,056
Recovered during the year	(15,575)	(15,449)	(8,681)	(7,953)
Write-off during the year	(13)	-	(13)	-
Balance at the end of the year	21,299	19,682	6,098	7,103

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

As at 31 March		Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
16.5 Other receivables					
Payments in advance		127,947	178,856	113,525	154,666
Economic service charge	(Note 9.5)	47,103	50,259	34,901	38,763
VAT receivable		42,453	32,619	24,349	15,777
WHT receivable		13,022	62	11,124	62
Prepayments		7,709	25,764	7,527	2,403
Other receivables		108,831	92,959	107,980	92,252
		347,065	380,519	299,406	303,923
Less : Provision for other receivables	(Note 16.5.1)	(23,421)	(23,421)	(7,578)	(7,578)
		323,644	357,098	291,828	296,345
16.5.1 Provision for other receivables					
Balance at the beginning of the year		23,421	23,421	7,578	7,578
Provision/(reversal) made during the year		-	-	-	-
Written off during the year		-	-	-	-
Balance at the end of the year		23,421	23,421	7,578	7,578

17. INTEREST BEARING SHORT TERM LOAN TO RELATED PARTIES

	Group 2019	Group 2018	Company 2019	Company 2018
Balance at the beginning of the year	-	-	-	-
Granted during the year	120,178	-	120,178	-
Repayments during the year	-	-	-	-
Balance at the end of the year	120,178	-	120,178	-
17.1 Related party company				
Colonial Motors (Ceylon) Limited	120,178	-	120,178	-

17.2 Short term loan to Colonial Motors (Ceylon) Limited granted based on market interest rates where as repayment terms are less than one year.

18. OTHER INVESTMENTS

	Group 2019	Group 2018	Company 2019	Company 2018
Fixed deposits	360	360	-	-
Less : Provision for impairment loss **(Note 18.1)**	(360)	(360)	-	-
	-	-	-	-
18.1 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	-	-

As at 31 March	Group		Company	
	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
19. CASH AND CASH EQUIVALENTS				
Bank balances	97,862	196,997	81,963	65,502
Cash in hand	1,804	1,625	1,529	1,350
Short term deposits	196,091	100,000	-	-
	295,757	298,622	83,492	66,852
Bank overdraft	84,849	126,269	42,583	101,072
Cash and cash equivalents for cash flow purpose	210,908	172,353	40,909	(34,220)
20. STATED CAPITAL				
Ordinary shares (No. of shares 35,988,556)	507,047	507,047	507,047	507,047
21. CAPITAL RESERVES*				
Revaluation reserve	359,428	-	59,576	-
Adjustment due to merger of subsidiary	-	-	14,909	14,909
Export development grant reserve	8,734	8,734	-	-
	368,162	8,734	74,485	14,909

As at 31 March	Group		Company	
	2019 Rs.000's	2018 Rs.000's Restated	2019 Rs.000's	2018 Rs.000's
22. REVENUE RESERVES*				
General reserves	7,000	7,000	7,000	7,000
Retained earnings	1,715,554	1,613,820	1,942,939	1,851,103
	1,722,554	1,620,820	1,949,939	1,858,103

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

23. 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		Sunquick Lanka Properties (Private) Limited		Other Non - Material NCI		Total	
	2019 Rs. 000's	2018 Rs. 000's	2019 Rs. 000's	2018 Rs. 000's	2019 Rs. 000's	2018 Rs. 000's	2019 Rs. 000's	2018 Rs. 000's
NCI percentage (%)	37.18%	37.18%	49%	49%	12.94%	12.94%		
Total assets	67,971	67,355	602,333	607,188	941,716	670,448	1,009,687	736,194
Total liabilities	6,803	13,152	3,266	1,473	362,827	300,689	369,630	312,234
Net assets	61,168	54,203	599,067	605,715	578,889	369,759	640,057	423,960
Carrying amount of NCI	22,742	20,152	293,543	296,800	29,092	6,914	345,377	323,866
Revenue	78,002	83,020	-	-	861,779	829,152	939,781	912,172
Profit/(loss) after tax	5,375	7,919	30,615	4,181	(20,947)	(50,633)	(15,572)	(42,714)
Total comprehensive income	6,967	6,710	30,615	4,181	209,127	(54,341)	216,094	(47,631)
Profit/(loss) allocated to NCI	2,590	2,495	15,001	2,049	3,919	(3,875)	21,511	668
Cash flows from/(used in) operating activities	(4,802)	(5,746)	127,526	(62,893)	(32,643)	(1,758)	90,081	(70,397)
Cash flows from/(used in) investing activities	239	(97)	(167,859)	(23,784)	(9,631)	(5,038)	(177,251)	(28,919)
Cash flows from/(used in) financing activities, before dividend to NCI	4,354	(990)	-	100,000	25,269	90	29,623	103,751
Cash flows from financing activities	4,354	(990)	-	100,000	25,269	90	29,623	103,751
Net increase in cash and cash equivalents	(209)	(2,183)	(40,333)	13,323	(17,005)	(6,706)	(57,547)	4,435

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
24. LOANS AND BORROWINGS				
Balance at the beginning of the year	4,045	4,901	-	-
Obtained during the year	300,827	520	299,880	-
Repayments during the year	(9,832)	(1,376)	(8,330)	-
Balance at the end of the year	295,040	4,045	291,550	-
24.1 Sources of finance				
Commercial Bank of Ceylon PLC	295,040	4,045	291,550	-
	295,040	4,045	291,550	-
24.2 Maturity analysis				
Payable after one year but less than five years	193,381	2,669	191,590	-
Payable within one year	101,659	1,376	99,960	-

24.3 Assets pledged as securities against long term borrowings

Lending Institution	Facility Obtained	Assets Pledged	Interest Rate
C. W. Mackie PLC Commercial Bank of Ceylon PLC	For financing of long term capital requirements	None	14% p.a
Kelani Valley Canneries Limited Commercial Bank of Ceylon PLC	For financing of long term capital requirements	mortgage bond over the machinery valued Rs.3 Mn and motor vehicle valued Rs.9 Mn at Kaluaggala, Hanwella	AWPLR + 3%

As at 31 March		Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
25. FINANCE LEASE LIABILITY					
Balance at the beginning of the year		1,700	-	-	-
Obtained during the year		-	1,855	-	-
Repayments during the year		(371)	(155)	-	-
Balance at the end of the year		1,329	1,700	-	-
Interest in suspense		(297)	(463)	-	-
Capital outstanding at the end of the year		1,032	1,237	-	-
25.1 Payable after one year					
Lease rental payable		958	1,329	-	-
Interest in suspense		(163)	(297)	-	-
		795	1,032	-	-
25.2 Payable within one year					
Lease rental payable		371	371	-	-
Interest in suspense		(134)	(166)	-	-
		237	205	-	-
26. RETIREMENT BENEFIT OBLIGATION					
Present value of defined benefit obligation	(Note 26.2)	95,277	107,924	67,464	74,755
Fair value of plan assets	(Note 26.3)	(52,787)	(43,712)	(50,753)	(42,677)
Unrecognised actuarial gain/(loss)	(Note 26.4)	-	-	-	-
		42,490	64,212	16,711	32,078
Arrears payable to the CWM Staff Non-Contributory Gratuity Fund	(Note 26.5)	(6)	(6)	-	-
		42,484	64,206	16,711	32,078

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 2019 and the appropriate adjustments have been effected in the Financial Statements.

As at 31 March	Group		Company	
	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
26.1 Plan assets consist of the following;				
Treasury bills	37,997	37,128	36,558	36,249
Cash	13,311	5,527	12,778	5,396
Others	1,479	1,057	1,417	1,032
	52,787	43,712	50,753	42,677
26.2 Movement in present value of defined benefit obligations				
Balance at the beginning of the year	107,924	85,365	74,755	58,868
Current service cost	9,386	6,772	6,692	4,745
Interest cost	11,871	10,488	8,223	7,461
Benefits paid by the plan	(8,281)	(13,821)	(4,907)	(10,614)
Actuarial (gain)/loss	(25,623)	19,120	(17,299)	14,295
Balance at the end of the year	95,277	107,924	67,464	74,755
26.3 Movement in fair value of plan assets				
Balance at the beginning of the year	43,712	42,894	42,677	41,414
Contribution paid into gratuity fund	12,087	10,982	9,249	8,348
Benefits paid by the gratuity fund	(6,896)	(13,778)	(4,907)	(10,614)
Expected return on plan assets	4,461	4,635	4,402	4,458
Actuarial loss	(577)	(1,021)	(668)	(929)
Balance at the end of the year	52,787	43,712	50,753	42,677
26.4 Unrecognised actuarial (gain)/loss				
Balance at the beginning of the year	-	-	-	-
Actuarial (gain)/loss for year - obligation	(25,623)	19,120	(17,299)	14,295
Actuarial loss for year - plan assets	577	1,021	668	929
Actuarial gain/(loss) recognised during the year	25,046	(20,141)	16,631	(15,224)
Balance at the end of the year	-	-	-	-
26.5 Arrears payable to the CWM staff non-contributory gratuity fund				
Balance at the beginning of the year	(6)	(6)	-	-
Contribution for the year	12,087	10,982	9,249	8,348
Paid to the fund	(12,087)	(10,982)	(9,249)	(8,348)
Balance at the end of the year	(6)	(6)	-	-

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
26.6 Amount recognised in the statement of comprehensive income				
Recognised in profit or loss				
Current service cost	9,386	6,772	6,692	4,745
Interest cost	11,871	10,488	8,223	7,461
Expected return on plan assets	(4,461)	(4,635)	(4,402)	(4,458)
	16,796	12,625	10,513	7,748
Recognised in the other comprehensive income				
Recognition of actuarial loss/(gain)	(25,046)	20,141	(16,631)	15,224
Total amount recognised in the Statement of Profit or Loss and Other Comprehensive Income	(8,250)	32,766	(6,118)	22,972
26.7 Actuarial assumptions				
Discount rate	11.50%	11%	11.50%	11%
Expected return on plan assets	9.10%	7.94%	9.10%	9.94%
Future salary increases	10%	12.00%	10%	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

26.8 Sensitivity of assumptions employed in actuarial valuation

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

The sensitivity of the total comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on to total comprehensive income and employment benefit obligation for the year.

31 March 2019	Sensitivity effect on: Total Comprehensive Income increase/(reduction) Group Rs.000's	Total Comprehensive Income increase/(reduction) Company Rs.000's	Employment benefit increase/(reduction) in the liability Group Rs.000's	Employment benefit increase/(reduction) in the liability Company Rs.000's
Decrease in discount rate (1%)	(8,493)	(5,765)	8,493	5,765
Increase in discount rate (1%)	7,494	4,991	(7,494)	(4,991)
Decrease in salary escalation (1%)	8,072	5,436	(8,072)	(5,436)
Increase in salary escalation (1%)	(9,152)	(6,175)	9,152	6,175

31 March 2018	Sensitivity effect on Total Comprehensive Income increase/(reduction) Group Rs.000's	Total Comprehensive Income increase/(reduction) Company Rs.000's	Employment benefit increase/ (reduction) in the liability Group Rs.000's	Employment benefit increase/ (reduction) in the liability Company Rs.000's
Decrease in discount rate (1%)	(8,120)	(5,630)	8,120	5,630
Increase in discount rate (1%)	7,445	4,880	(7,445)	(4,880)
Decrease in salary escalation (1%)	8,749	5,812	(8,749)	(5,812)
Increase in salary escalation (1%)	(9,635)	(6,613)	9,635	6,613

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
27. DEFERRED INCOME/REVENUE				
Government grant	325	400	-	-
	325	400	-	-
27.1 Maturity analysis				
Non-current	250	325	-	-
Current	75	75	-	-

Kelani Valley Canneries Limited 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 Mn. The grant was received under the scheme with the aim of facilitating Mocro 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 company 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 rent the machinery for the period of five years from the date of purchase of machinery.

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's Restated	Company 2019 Rs.000's	Company 2018 Rs.000's
28. DEFERRED TAXATION				
Restated balance at the beginning of the year	46,660	22,254	27,395	29,008
Reversal of temporary differences recognised in profit for the year	2,365	(1,190)	(478)	(1,613)
Origination of temporary differences recognised in the Statement of Other Comprehensive Income	77,915	-	27,456	-
Deferred tax on revaluation of land	-	25,596	-	-
Restated balance at the end of the year	126,940	46,660	54,373	27,395
28.1 Deferred tax asset	(9,395)	(9,395)	-	-
Deferred tax liability	136,335	56,055	54,373	27,395
	126,940	46,660	54,373	27,395

28.2 The effective tax rate of 28% (2018-27%), 14% (2018-22%) and 28% (2018-7%) 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.

28.3 The deferred tax (asset)/ liability recognised on temporary differences are as follows:

As at 31 March	2019 Temporary differences Rs.000's	2019 Tax effect Rs.000's	2018 Temporary differences Rs.000's Restated	2018 Tax effect Rs.000's Restated
Group				
On property, plant and equipment	706,489	175,429	271,130	99,131
On retirement gratuity	(38,810)	(10,387)	(54,177)	(14,369)
On tax losses carried forward	(161,150)	(38,102)	(161,150)	(38,102)
	506,529	126,940	55,803	46,660

As at 31 March	2019 Temporary differences Rs.000's	2019 Tax effect Rs.000's	2018 Temporary differences Rs.000's	2018 Tax effect Rs.000's
Company				
On property, plant and equipment	210,899	59,052	133,540	36,056
On retirement gratuity	(16,711)	(4,679)	(32,078)	(8,661)
	194,188	54,373	101,462	27,395

28.4 Unrecognised deferred tax assets

Deferred tax asset - Ceymac Rubber Company Limited

Deferred tax asset have not been recognised in with effect from 2017/2018 financial 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 :

	2019		2018	
	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	86,670	12,134	94,731	21,267
On retirement gratuity	(19,242)	(2,694)	(22,814)	(5,122)
On tax losses carried forward	(89,808)	(12,573)	(114,051)	(25,604)
	(22,380)	(3,133)	(42,134)	(9,459)

Deferred tax asset amounting to Rs.3.1Mn was not recognised in the current year with an effective rate of 14%.

Deferred tax asset - Ceytra Limited

Deferred tax asset have not been recognised in with effect from 2016/2017 financial 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 :

	2019		2018	
	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	85	24	374	68
On retirement gratuity	(3,324)	(931)	(4,487)	(817)
On tax losses carried forward	(42,267)	(11,835)	(48,965)	(8,911)
	(45,506)	(12,742)	(53,078)	(9,660)

Deferred tax asset amounting to Rs.12.7Mn was not recognised in the current year with an effective rate of 28%.

Deferred tax asset - Kelani Valley Canneries Limited

Kelani Valley Canneries Limited has not recognised the deferred tax asset amounting to Rs. 72Mn (2018-Rs. 64Mn) for the year ended 31 March 2019, 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 :

	2019		2018	
	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	30,845	8,637	30,478	8,534
On retirement gratuity	(3,208)	(898)	(4,829)	(1,352)
On tax losses carried forward	(286,863)	(80,322)	(254,802)	(71,345)
	(259,226)	(72,583)	(229,153)	(64,163)

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
29. INTEREST BEARING SHORT TERM BORROWINGS				
Short term money market loans	974,738	1,262,784	882,738	1,121,801
	974,738	1,262,784	882,738	1,121,801
29.1 Sources of finance				
Hatton National Bank PLC	260,000	333,983	200,000	265,000
Commercial Bank of Ceylon PLC	324,861	367,000	292,861	295,000
NDB Bank PLC	185,000	316,801	185,000	316,801
Standard Chartered Bank	204,877	245,000	204,877	245,000
	974,738	1,262,784	882,738	1,121,801

29.2 Assets pledged as securities against short term borrowings

Lending Institution	Facility Obtained	Assets Pledged
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
Commercial Bank of Ceylon PLC	For financing of exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts
NDB Bank PLC	For financing of exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts
Standard Chartered Bank	For financing of exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts
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
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

As at 31 March		Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
30. INCOME TAX PAYABLE					
Balance at the beginning of the year		56,542	88,130	55,392	87,020
Add:					
Income tax provision for the year		90,560	92,015	84,147	90,479
Under/(over) provision in respect of previous year		21,089	(4,140)	21,239	(4,140)
Less:					
Income tax/ESC payments during the year		(110,256)	(119,463)	(109,186)	(117,967)
Balance at the end of the period		57,935	56,542	51,592	55,392
31. TRADE AND OTHER PAYABLES					
Trade payables to related parties	(Note 31.1)	555,414	256,327	584,248	369,347
Other trade payables		322,381	309,072	279,102	254,098
Dividends payable		4,786	6,510	4,611	6,510
Accruals		47,580	44,897	34,118	39,402
Pre-paid advances		47,847	40,463	46,096	40,463
Sundry creditors		9,654	911	9,654	911
VAT and NBT payables		5,118	14,242	4,744	11,173
Other provisions		87,459	103,708	83,262	98,169
Refund liabilities	(Note 3.1.1)	99,722	154,686	99,722	154,686
Other payables		20,252	9,346	14,119	2,930
		1,200,213	940,162	1,159,676	977,689
31.1 Trade payables to related parties:					
Colombo Fort Group Services (Private) Limited		20	676	20	676
Kelani Valley Canneries Limited		-	-	-	2,492
Sunquick Lanka (Private) Limited		546,584	202,788	575,768	312,968
Union Commodities (Private) Limited		-	33,161	-	33,509
Colonial Motors (Ceylon) Limited		15	123	15	123
Kiffs (Private) Limited		8,384	19,565	8,384	19,565
J F Packaging (Private) Limited		350	-	-	-
Carplan Limited		61	14	61	14
		555,414	256,327	584,248	369,347

The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at the rate of 12.5% per annum, (2018: 12%).

32. RELATED PARTY DISCLOSURES

32.1 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.

32.1.1 Transactions with subsidiary companies

Name of the Related Party For the year ended 31 March	Relationship	Nature of the Transaction	Amounts (paid)/received 2019 Rs.000's	2018 Rs.000's
Ceymac Rubber Company Limited	Subsidiary	Interest on current account balance	458	366
		Service fees	9,816	9,816
Director:		Inter company sales/(purchases)	161	(6,933)
Mr. W. T. Ellawala		Export handling fee	21,866	18,235
		Expense reimbursements	5,517	4,124
		Rental paid	(1,039)	(1,623)
		Inter company settlements	(35,319)	(22,126)
Corporate guarantee of C.W.Mackie PLC for packing credit/ short loans and export bill discounting facilities of Rs.99.0 million to Hatton National Bank PLC				
Ceytra (Private) Limited	Subsidiary	Interest on current account balance	71	83
		Service fees	4,368	4,368
Director:		Inter company sales	4	8
Mr. W. T. Ellawala,		Net settlements	(5,548)	2,690
		Expense reimbursements	1,562	(4,637)
Corporate guarantee of C.W.Mackie PLC for packing credit/ short term loans and export bill discounting facilities of Rs.8.0 million to Hatton National Bank PLC.				
Kelani Valley Canneries Limited	Subsidiary	Interest on current account balance	1,499	-
		Inter company purchases	(173,598)	(157,750)
Director:		Inter company sales	35,104	48,199
Mr. W. T. Ellawala		Expense reimbursements	6,363	6,446
Dr. T. Senthilverl		Net settlements	135,761	91,103
Mr. K. T. A. Mangala Perera		Service fee	5,537	1,680
Ms. C. R. Ranasinghe		Fund transfers	50,000	-
Mr. Anushman Rajaratnam				
Corporate guarantee of C. W. Mackie PLC for short term loans of Rs.90 million to Commercial Bank of Ceylon PLC.				

Name of the Related Party For the year ended 31 March	Relationship	Nature of the Transaction	Amounts (paid)/received 2019 Rs.000's	Amounts (paid)/received 2018 Rs.000's
Sunquick Lanka Properties (Private) Limited	Subsidiary	Assets transfers	-	217,000
		Net settlements	(282)	90,000
Director:		Investment related transactions	-	(307,000)
Mr. W. T. Ellawala,		Expense reimbursements	284	-
Mr. K. T. A. Mangala Perera				

32.1.2 Transactions with other related companies

Name of the Related Party For the year ended 31 March	Relationship	Nature of the Transaction	Amounts (paid)/received 2019 Rs.000's	Amounts (paid)/received 2018 Rs.000's
Sunquick Lanka (Private) Limited	Jointly controlled entity	Inter company purchases	(1,809,520)	(1,146,081)
Directors :		Inter company sales	177,453	147,516
Mr. W. T. Ellawala		Assets transfers	-	271,270
Mr. Anushman Rajaratnam		Net settlements	1,251,113	608,719
Mr. K. T. A. Mangala Perera		Investment related transactions	-	(307,840)
		Expense reimbursements	119,048	221,038
		Service rendered	(894)	2,591
Ceylon Trading Company Limited	Affiliate	Rent income	2,100	2,100
Directors :		Secretarial and legal fees	(16,124)	(18,287)
Mr. W. T. Ellawala		Management fees/overheads	(17,660)	(15,932)
Ms. C. R. Ranasinghe		Net settlements	31,837	30,886
		Expense reimbursements	9	836
Kotagala Plantations PLC	Common directors	Purchase of rubber through commodity brokers at the auction	141,622	101,588
Directors :				
Mr. R. C. Peries				
Mr. S. D. R. Arudpragasam				
Mr. A. Rajaratnam				

Name of the Related Party For the year ended 31 March	Relationship	Nature of the Transaction	Amounts (paid)/received	
			2019 Rs.000's	2018 Rs.000's
Colombo Fort Group Services (Private) Limited	Common directors	Services received	14,116	11,010
Directors :		Net settlements	(14,772)	(11,815)
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
Union Commodities (Private) Limited	Common directors	Inter company purchases	(243,406)	(280,160)
Director :		Inter company sales	879	757
Mr. S. D. R. Arudpragasam		Net settlements	191,706	297,873
Mr. Anushman Rajaratnam		Advance payments for purchases	101,809	-
Lankem Ceylon PLC	Common directors	Inter company purchases	-	(427)
Directors :		Net settlements	-	756
Mr. A. Rajaratnam		Short term loan granted	138,095	-
Mr. S. D. R. Arudpragasam		Short term loan settlements	(138,095)	-
Mr. Anushman Rajaratnam				
E. B. Creasy & Company PLC	Common directors	SAP Expense reimbursements	-	(4,358)
Directors :		Inter company sales	136	240
Mr. A. Rajaratnam		Net settlements	(368)	4,249
Mr. S. D. R. Arudpragasam				
Carplan Limited	Common directors	Inter company purchases	(334)	(27)
Directors :		Services received	31	(94)
Mr. A. Rajaratnam*		Net settlements	378	134
Mr. S. D. R. Arudpragasam				
C. W. Mackie Group Staff Non-Contributory Gratuity Fund	Defined benefit plan	Amount paid to gratuity fund	(9,249)	(8,348)
		Amount paid by gratuity fund to employees	4,907	10,261

Name of the Related Party For the year ended 31 March	Relationship	Nature of the Transaction	Amounts (paid)/received	
			2019 Rs.000's	2018 Rs.000's
Lanka Special Steel Limited	Common directors	Inter company sales	461	37
Directors :		Net settlements	(461)	-
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Ceylon Tapes (Private) Limited	Common directors	Inter company sales	37	-
Directors :		Inter company purchases	-	(196)
Mr. Anushman Rajaratnam		Net settlements	-	340
Mr. S. D. R. Arudpragasam				
York Hotel Management Services Limited	Common directors	Inter company sales	62	70
Director :		Net settlements	(44)	(34)
Mr. A. Rajaratnam				
Marawila Resorts PLC	Common directors	Services rendered	(1,437)	-
Directors :		Net settlements	1,437	-
Mr. A. Rajaratnam				
Mr. S. D. R. Arudpragasam				
Beruwala Resorts Limited	Common directors	Inter company sales	131	956
Directors :		Net settlements	(180)	(821)
Mr. A. Rajaratnam ,				
Mr. S. D. R. Arudpragasam				
Candy Delights Limited/ (Formerly known as Creasy Foods Limited)	Common directors	Inter company sales	5,063	-
Directors :		Net settlements	(3,375)	-
Mr. A. Rajaratnam**				
Mr. S. D. R. Arudpragasam				

Name of the Related Party For the year ended 31 March	Relationship	Nature of the Transaction	Amounts (paid)/received 2019 Rs.000's	 2018 Rs.000's
J F Packaging (Private) Limited	Common directors	Inter company sales	-	(897)
Directors :		Net settlements	-	958
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				
Colonial Motors (Ceylon) Limited	Common directors	Inter company purchases	-	(10,134)
Directors :		Services rendered	(1,154)	(314)
Mr. Anushman Rajaratnam		Net settlements	1,263	10,325
Mr. S. D. R. Arudpragasam		Short term loan granted	120,000	-
		Interest on short term loan	177	-
Kiffs (Private) Limited	Common directors	Inter company purchases	(112,518)	(80,122)
Directors :		Net settlements	123,699	60,557
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				

* resigned w.e.f 12 March 2019
** resigned w.e.f 31 May 2018

Note - Mr. A Rajaratnam resigned from C. W. Mackie PLC board of directors' w.e.f 19 March 2019.

There were no transactions entered into by the Company during the year in the ordinary course of business, the value which exceeded 10% of the shareholders' equity or 5% of the total assets which ever is lower of the Company as at 31 March 2019.

32.2 Compensation of key management personnel

Key Management Personnel include members of the Board of Directors of the Company and its Subsidiaries.

For the year ended 31 March	Group 2019 Rs.000's	 2018 Rs.000's	Company 2019 Rs.000's	 2018 Rs.000's
Short-term employee benefits	29,907	28,301	27,151	25,792
Total compensation paid to key management personnel	29,907	28,301	27,151	25,792

33. EVENTS AFTER THE REPORTING DATE

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 2019 for approval by the shareholders at the Annual General Meeting to be held on 27 June 2019. 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 2019.

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.

34. 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	2019 Rs.Mn	2018 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	2019 Rs.Mn	2018 Rs.Mn
Ceymac Rubber Company Limited	72	69
Kelani Valley Canneries Limited	65	72
Total	137	141

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.

35. CAPITAL COMMITMENTS

During the period,Sunquick Lanka (Private) Limited (the Joint Venture Company) entered into a contract to purchase plant and machinery worth of USD 1.5 million, of which the balance commitment outstanding as at 31 March 2019 is USD 0.39 million.

There are no material capital commitments as at the reporting date that would require adjustment to or disclosure in the Financial Statements other than as disclosed above.

36. COMPARATIVE FIGURES

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

37. FINANCIAL RISK MANAGEMENT

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

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

- Credit risk (Note 37.1)
- Liquidity risk (Note 37.2)
- Market risk (Note 37.3)
- Operational risk (Note 37.4)

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.

37.1 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	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
Trade receivables from related parties	19,990	529	85,315	6,119
Trade receivables	2,003,229	2,093,297	1,845,897	1,938,387
Deposits	13,323	8,127	12,477	7,180
Loans to employees	21,299	19,682	6,098	7,103
Other receivables	323,644	357,098	291,828	296,345
Short term deposits	196,091	-	-	-
Balances with banks	97,862	196,997	81,963	65,502
Total	2,675,438	2,675,730	2,323,578	2,320,636

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	2019		2018	
	Gross Balance Rs.000's	Impairment Rs.000's	Gross Balance Rs.000's	Impairment Rs.000's
Group				
Past due 0-30 days	1,319,595	-	1,407,255	-
Past due 31-90 days	573,920	-	547,588	-
Past due 91-180 days	74,100	-	94,928	
Past due 181-270 days	19,653	-	18,493	
Past due 271-365 days	18,569	2,608	17,122	187
More than one year	44,225	44,225	43,989	35,891
Total	2,050,062	46,833	2,129,375	36,078
Company				
Past due 0-30 days	1,221,810	-	1,317,506	-
Past due 31-90 days	513,711	-	483,637	-
Past due 91-180 days	69,334	-	93,061	-
Past due 181-270 days	21,908	-	18,578	-
Past due 271-365 days	19,134	-	16,870	-
More than one year	44,225	44,225	42,695	33,960
Total	1,890,122	44,225	1,972,347	33,960

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	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
Domestic	1,816,080	1,911,692	1,726,108	1,798,756
Asian region	153,750	29,860	96,553	12,651
European region	32,195	137,510	23,232	122,659
African region	4	14,235	4	4,321
Northern American region	615	-	-	-
Australian region	585	-		
Total	2,003,229	2,093,297	1,845,897	1,938,387

Held to maturity investments

The Group has invested Rs. 0.36 Mn on fixed deposits as at 31 March 2016 and fully provided for impairment for the financial year ended 31 March 2019.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of Rs. 295.7 million (2018 - Rs. 298.6 million) and Rs.83.5 million (2018 - Rs.66.8 million) retrospectively at 31 March 2019 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	2019 Rs.Mn	2018 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		
Ceymac Rubber Company Limited	72	72
Kelani Valley Canneries Limited	65	65
Total	137	137

Expected credit losses (applicable from 1 April 2018)

With the adoption of SLFRS 9 - Financial Instruments, the Company manages credit quality using a three stage approach which inline with the new standard requirements as well.

Stage one : 12 month expected credit losses (ECL)
Stage two : Lifetime expected credit losses (ECL) - not credit impaired
Stage one : 12 month expected credit losses (ECL) - credit impaired

Table below shows the classification of assets and liabilities based on the above mentioned three stage model:

		12-month ECL	Life Time ECL- Not Credit Impaired	Life Time ECL- Credit Impaired	Unclassified	Total
		Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Group						
As at 31 March 2019						
Cash and cash equivalents	(Note 19)	295,757	-	-	-	295,757
Trade and other receivables	(Note 16)	2,381,485	-	-	-	2,381,485
Interest bearing short term loan to related parties	(Note 17)	120,178	-	-	-	120,178
Other non financial assets		-	-	-	2,938,671	2,938,671
Total assets		2,797,420	-	-	2,938,671	5,736,091
Company						
As at 31 March 2019						
Cash and cash equivalents	(Note 19)	83,492	-	-	-	83,492
Trade and other receivables	(Note 16)	2,241,615	-	-	-	2,241,615
Interest bearing short term loan to related parties	(Note 17)	120,178	-	-	-	120,178
Other non financial assets		-	-	-	2,585,409	2,585,409
Total assets		2,445,285	-	-	2,585,409	5,030,694

37.2 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 2019, Group has unutilised banking facilities amounting to Rs.605.5 million(2018 - Rs.222 million) representing 36% (2018- 13%) of the total bank facilities from the consortium of banks, i.e Hatton National Bank PLC, Commercial Bank of Ceylon PLC, NDB Bank PLC and Standard Chartered Bank.

The following are the contractual maturities of financial liabilities.

Group

As at 31 March	2019			2018		
	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's
Financial liabilities (non derivatives)						
Long term borrowings	295,040	101,659	193,381	4,045	1,376	2,669
Lease liability	1,032	237	795	1,237	205	1,032
Interest bearing short term borrowings	974,738	974,738	-	1,262,784	1,262,784	-
Trade and other payable	644,799	644,799	-	683,835	683,835	-
Trade payables to related parties	555,414	555,414	-	256,327	256,327	-
Bank overdraft	84,849	84,849	-	126,269	126,269	-
Total	2,555,872	2,361,696	194,176	2,334,497	2,330,796	3,701

Company

As at 31 March	2019			2018		
	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's	Carrying amount Rs.000's	0-12 months Rs.000's	More than 1 year Rs.000's
Financial liabilities (non derivatives)						
Long term borrowings	291,550	99,960	191,590	-	-	-
Interest bearing short term borrowings	882,738	882,738	-	1,121,801	1,121,801	-
Trade and other payable	575,428	575,428	-	608,342	608,342	-
Trade payables to related parties	584,248	584,248	-	369,347	369,347	-
Bank overdraft	42,583	42,583	-	101,072	101,072	-
Total	2,376,547	2,184,957	191,590	2,200,562	2,200,562	-

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

37.3 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.

37.3.1 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	2019		2018	
	USD	Euro	USD	Euro
Group				
Trade and other payables	(355,283)	(23)	(154,113)	(67,683)
Trade and other receivables	1,003,343	58,998	1,152,450	99,759
Cash and cash equivalents	426,122	3,915	136,251	15,008
Gross statement of financial position exposure	1,074,182	62,890	1,134,588	47,084
Company				
Trade and other payables	(355,283)	(23)	(154,113)	(67,683)
Trade and other receivables	668,929	20,320	929,840	55,910
Cash and cash equivalents	375,930	3,020	12,780	14,075
Gross statement of financial position exposure	689,576	23,317	788,507	2,302

The following significant exchange rates were applicable during the year:

	Average rate		Reporting date spot rate	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs.
USD	168.72	153.51	176.25	155.60
Euro	195.25	172.58	197.95	191.67

Sensitivity Analysis

A strengthening or weakening of the LKR, as indicated below, against the USD and Euro at 31 March 2019 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 2019		
USD (10% movement)	(18,932)	18,932
Euro (10% movement)	(1,245)	1,245
As at 31 March 2018		
USD (10% movement)	(17,654)	17,654
Euro (10% movement)	(902)	902
Company		
As at 31 March 2019		
USD (10% movement)	(12,154)	12,154
Euro (10% movement)	(462)	462
As at 31 March 2018		
USD (10% movement)	12,269	(12,269)
Euro (10% movement)	44	(44)

37.3.2 Interest rate risk

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

Carrying amount

As at 31 March	Group 2019 Rs.000's	Group 2018 Rs.000's	Company 2019 Rs.000's	Company 2018 Rs.000's
Fixed rate instruments				
Financial assets				
Related party receivables - subsidiaries	-	-	65,683	5,590
Financial liabilities				
Related party payables - subsidiaries	-	-	-	(2,492)
Lease liability	(1,032)	(1,237)		
	(1,032)	(1,237)	65,683	3,098
Variable rate instruments				
Financial assets				
RFC deposits	75,879	24,077	66,855	4,686
Short term deposits	196,091	100,000	-	-
Financial liabilities				
Long term borrowings	(295,040)	(4,045)	(291,550)	-
Bank overdrafts	(84,849)	(126,269)	(42,583)	(101,072)
Short term money market borrowings	(974,738)	(1,262,784)	(882,738)	(1,121,801)
	(1,082,657)	(1,269,021)	(1,150,016)	(1,218,187)

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	2019 Profit or loss Rs.000's	2018 Profit or loss Rs.000's
Group		
Variable rate instruments (1% decrease)	10,827	9,361
Variable rate instruments (1% increase)	(10,827)	(9,361)
Company		
Variable rate instruments (1% decrease)	11,500	7,659
Variable rate instruments (1% increase)	(11,500)	(7,659)

37.4 Operational risk

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

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

37.5 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	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
Total liabilities	2,792,951	2,511,700	2,499,223	2,315,427
Less:				
Cash and cash equivalents	(295,757)	(298,622)	(83,492)	(66,852)
Net debts	2,497,194	2,213,078	2,415,731	2,248,575
Total equity	2,597,763	2,136,601	2,531,471	2,380,059
Net debt to equity ratio	0.96	1.04	0.95	0.94

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.

37.6 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.

	2019		2018	
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	19,990	19,990	529	529
Trade receivables and other receivable	2,361,495	2,361,495	2,478,204	2,478,204
Cash and cash equivalents	295,757	295,757	298,622	298,622
	2,677,242	2,677,242	2,777,355	2,777,355
Liabilities				
Interest bearing long term borrowings	295,040	295,040	4,045	4,045
Lease liability	1,032	1,032	1,237	1,237
Interest bearing short term borrowings	974,738	974,738	1,262,784	1,262,784
Trade payables to related parties	555,414	555,414	256,327	256,327
Trade and other payable	644,799	644,799	683,835	683,835
Bank overdraft	84,849	84,849	126,269	126,269
	2,555,872	2,555,872	2,334,497	2,334,497
Company				
Assets				
Trade receivables from related parties	85,315	85,315	6,119	6,119
Trade receivables and other receivable	2,156,300	2,156,300	2,249,015	2,249,015
Cash and cash equivalents	83,492	83,492	66,852	66,852
	2,325,107	2,325,107	2,321,986	2,321,986
Liabilities				
Interest bearing long term borrowings	291550	291,550	-	-
Interest bearing short term borrowings	882,738	882,738	1,121,801	1,121,801
Trade payables to related parties	584,248	584,248	369,347	369,347
Trade and other payable	575,428	575,428	608,342	608,342
Bank overdraft	42,583	42,583	101,072	101,072
	2,376,547	2,376,547	2,200,562	2,200,562

38. RESTATEMENTS

Comparatives have been restated as disclosed in notes to statement of changes in equity and impacts on the statement of profit or loss and other comprehensive income, statement of financial position are presented thereafter notes to the financial statements.

Consolidated statement of financial position

As at 1 April 2018	Impact on restatement		
In Rs.000's	As previously reported	Adjustment	As restated
Assets			
Investment property	264,098	(49,969)	214,129
Other assets	4,758,038	-	4,758,038
Total assets	5,022,136	(49,969)	4,972,167
Equity			
Revenue reserve **(Note 22)**	1,695,982	(75,162)	1,620,820
Non controlling interest	324,269	(403)	323,866
Others	515,781	-	515,781
Total equity	2,536,032	(75,565)	2,460,467
Total liabilities			
Deferred tax liability	30,459	25,596	56,055
Other liabilities	2,455,645	-	2,455,645
Total liabilities	2,486,104	25,596	2,511,700
Total equity and liabilities	5,022,136	(49,969)	4,972,167

Consolidated statement of profit or loss and OCI

	Impact on restatement		
In Rs.000's	As previously reported	Adjustment	As restated
Other income	280,094	(49,969)	230,125
Others	(60,278)	-	(60,278)
Profit for the year	219,816	(49,969)	169,847

TEN YEAR HISTORICAL SUMMARY

	31 December	31 March								
Year	2009 (Rs.000's)	2011 (Rs.000's)	2012 (Rs.000's)	2013 (Rs.000's)	2014 (Rs.000's)	2015 (Rs.000's)	2016 (Rs.000's)	2017 (Rs.000's)	2018 (Rs.000's)	2019 (Rs.000's)
OPERATING RESULTS										
Revenue	4,622,730	9,317,046	9,703,084	7,647,208	7,343,741	7,618,108	7,859,633	8,837,350	9,919,740	9,695,319
Results from operating activities	282,895	415,428	588,635	306,936	374,629	326,484	409,788	416,439	373,957	394,777
Net financing costs	(97,336)	(64,987)	(77,604)	(58,836)	(62,146)	(52,711)	(7,865)	(67,371)	(96,728)	(110,952)
Share of Joint venture's profit/(loss)	-	-	-	-	-	-	-	-	(20,697)	46,659
Profit before taxation	184,959	350,441	501,771	248,100	312,483	273,773	401,923	349,068	256,532	330,484
Income tax expense	(66,286)	(94,232)	(115,972)	(84,587)	(103,154)	(94,318)	(123,401)	(111,937)	(86,685)	(114,014)
Profit after tax	118,673	256,209	385,799	163,513	209,329	179,455	278,522	237,131	169,847	216,470
Other comprehensive income	-	-	(483)	595	2,355	(8,649)	6,606	10,056	(20,141)	392,163
Total comprehensive income			385,316	164,108	211,684	170,806	285,128	247,187	149,706	608,633
Non-controlling interests	11,820	1,592	1,777	1,562	1,171	(9,863)	(6,466)	978	(668)	21,511
Total comprehensive income-equity holders	106,853	254,617	383,539	162,546	210,513	180,669	291,594	246,209	149,038	587,122
FINANCIAL POSITION										
Assets										
Non-current assets	746,698	785,969	853,776	852,228	886,279	880,463	864,854	812,094	1,308,390	1,920,305
Current assets	1,149,967	2,227,319	2,427,909	2,102,243	2,514,238	2,302,690	2,801,463	3,327,942	3,663,777	3,815,786
Total assets	1,896,665	3,013,288	3,281,685	2,954,471	3,400,517	3,183,153	3,666,317	4,140,036	4,972,167	5,736,091
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	444,359	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	368,162
Revenue reserves	24,598	706,808	1,018,527	1,144,983	1,247,551	1,320,112	1,502,686	1,622,935	1,620,820	1,722,554
Available-for-sale reserve	-	1,172	1,014	1,115	1,094	1,236	-	-	-	-
Equity attributable to equity holders of the Company	976,004	1,223,761	1,535,322	1,661,879	1,764,426	1,837,129	2,018,467	2,138,716	2,136,601	2,597,763
Non-controlling interests	25,953	26,620	28,397	29,817	46,190	34,615	28,031	29,009	323,866	345,377
Total equity	1,001,957	1,250,381	1,563,719	1,691,696	1,810,616	1,871,744	2,046,498	2,167,725	2,460,467	2,943,140
Non-current liabilities	183,678	205,572	185,157	159,093	150,545	122,473	92,038	78,684	124,287	373,245
Current liabilities	711,030	1,557,335	1,532,809	1,103,682	1,439,356	1,188,936	1,527,781	1,893,627	2,387,413	2,419,706
Total equity and liabilities	1,896,665	3,013,288	3,281,685	2,954,471	3,400,517	3,183,153	3,666,317	4,140,036	4,972,167	5,736,091
RATIOS										
Basic earnings per share (Rupees)	2.97	7.12	10.72	4.54	5.82	4.99	7.74	6.57	4.68	5.65
Revenue growth rate (%)	-13.2%	101.5%	4.1%	-21.2%	-4.0%	3.7%	3.2%	12.4%	12.2%	-2.3%
Net profit ratio (%)	2.6%	2.7%	4.0%	2.1%	2.9%	2.4%	3.5%	2.7%	1.7%	2.2%
Current ratio (1:)	1.62	1.43	1.58	1.90	1.75	1.94	1.83	1.76	1.53	1.58
Net asset per share (Rupees)	27.12	34.00	42.66	46.18	49.03	51.05	56.09	59.43	59.37	72.18
Net return on assets (%)	6.3%	8.5%	11.8%	5.5%	6.2%	5.6%	7.6%	5.7%	3.4%	3.8%
Net return on capital employed (%)	23.9%	28.5%	33.7%	16.6%	19.1%	16.4%	19.2%	18.5%	13.7%	13.3%
Assets turnover ratio (1:)	2.44	3.80	3.08	2.45	2.31	2.31	2.29	2.26	2.18	1.81
Dividends per share (Rupees)	1.00	1.00	2.00	1.00	3.00	3.00	3.00	3.50	3.50	3.50
Dividend payout ratio (%)	34%	14%	19%	22%	52%	60%	39%	53%	75%	62%

CONSOLIDATED STATEMENT OF VALUE ADDED

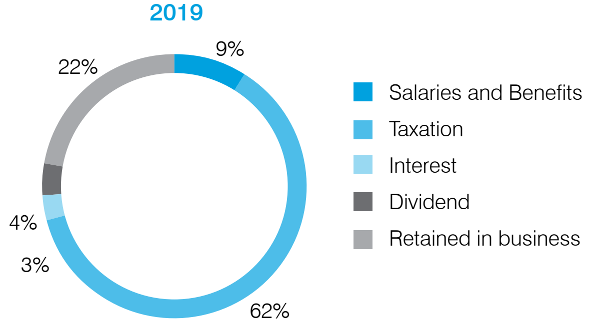
Organisations utilise raw materials and other inputs to create a saleable product. The difference between the sales income and the cost of bought-in-materials and services is generally regarded as the value added by the organisation. Value added, therefore, denotes the contribution made to the nation's 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:

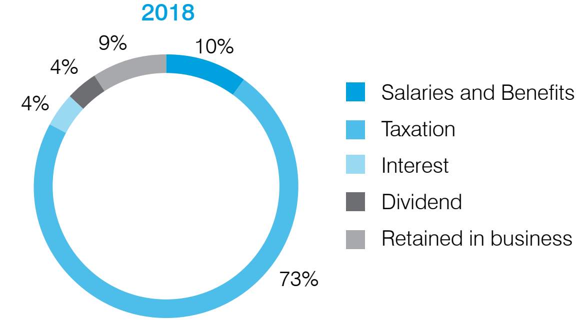
For the year ended 31 March	2019 Rs.Mn	2018 Rs.Mn
Value added		
Sales made to external customers	9,695.3	9,919.7
Less: material and services bought in from outside	(6,596.6)	(7,300.1)
	3,098.7	2,619.6
Add: other income	164.1	230.1
Total value added available for distribution	3,262.8	2,849.7

	2019 Rs.Mn		%	2018 Rs.Mn		%
Distribution of value added						
To employees						
- Wages, salaries and benefits		299.9	9.2		276.0	9.7
Taxation to Government						
- Import duties and VAT/NBT	1,843.8			1,934.0		
- Export duties	16.2			13.3		
- Income tax	111.6			87.9		
- Economic Service Charge	49.7	2,021.3	61.9	47.5	2,082.7	73.1
To lenders						
- Interest		112.3	3.4		100.9	3.5
Providers of equity capital						
- Dividends		126.0	3.9		126.0	4.4
Retained in business						
- Depreciation on fixed assets	116.2			115.1		
- Retained earnings	587.1	703.3	21.6	149.0	264.1	9.3
Total value added distributed		3,262.8	100.0		2,849.7	100.0
No. of employees in Group		543			554	
Value added per employee (Rs' 000)		6,009			5,144	

2019



2018



INVESTOR INFORMATION

FINANCIAL CALENDAR

Ninety Sixth Annual General Meeting	-	28 June 2018
Interim Reports		
First Quarterly Report		
3 months to 30 June 2018	-	2 August 2018
Second Quarterly Report		
6 months to 30 September 2018	-	5 November 2018
Third Quarterly Report		
9 months to 31 December 2018	-	6 February 2019
Fourth Quarterly Report		
12 months to 31 March 2019	-	16 May 2019
Annual Report - Financial Year 2018/19	-	3 June 2019
Ninety Seventh Annual General Meeting	-	27 June 2019

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Holdings (Shares)	31 March 2019			31 March 2018		
	No. of Holders	Total Shares	Holdings %	No. of Holders	Total Shares	Holdings %
1 - 1,000	1,707	353,551	0.98	1,710	356,619	0.99
1,001 - 10,000	218	722,641	2.00	230	784,219	2.17
10,001 - 100,000	44	1,269,540	3.53	43	1,363,186	3.79
100,001 - 1,000,000	9	2,960,438	8.23	8	2,802,146	7.79
Over - 1,000,000	4	30,682,386	85.26	5	30,682,386	85.26
	1,982	35,988,556	100.00	1,996	35,988,556	100.00

TWENTY LARGEST SHAREHOLDERS

As at 31 March		2019		2018	
	Name of Shareholder	No. of Shares (Voting)	%	No. of Shares (Voting)	%
1	Lankem Ceylon PLC	18,137,526	50.40	2,137,526	5.94
	National Development Bank PLC/Lankem Ceylon PLC	N/A	N/A	16,000,000	44.96
2	Seylan Bank PLC/Dr. T. Senthilverl	8,983,000	24.96	8,983,000	24.96
3	Sampath Bank PLC/Dr. T. Senthilverl	1,782,575	4.95	1,782,575	4.95
4	Pan Asia Banking Corporation PLC/Lankem Ceylon PLC	1,779,285	4.94	1,779,285	4.94
5	Acuity Partners (Pvt) Limited/Union Investment (Pvt) Ltd.	950,000	2.64	950,000	2.64
6	Amana Bank PLC	932,541	2.59	906,788	2.52
7	Corporate Holdings (Pvt) Ltd. Account No. 1	238,341	0.66	225,802	0.63
8	Mr. P. P. Anandarajah	155,100	0.43	155,100	0.43
9	Mr. M. A. Lukmanjee	155,000	0.43	155,000	0.43
10	People's Leasing and Finance PLC/L.P. Hapangama	154,716	0.43	154,716	0.43
11	Employees Provident Fund	139,740	0.39	139,740	0.39
12	Harnam Holdings SDN BHD	135,000	0.38	115,000	0.32
13	Ms. N. Harnam	100,000	0.28	100,000	0.28
14	Sir F. I. Rahimtoola	90,000	0.25	90,000	0.25
15	Mr. Rahul Gautam	68,250	0.19	-	-
16	Mr. Z. G. Carimjee	60,200	0.17	60,200	0.17
17	HSBC International Nominees Limited-SSBT-Deustche Bank	60,018	0.17	60,018	0.17
18	Union Investments (Pvt) Ltd.	60,000	0.17	60,000	0.17
19	Oakley Investments (Pvt) Ltd.	53,239	0.15	53,239	0.15
20	Commercial Bank of Ceylon PLC /Andaradeniya Estate (Pvt) Ltd.	50,000	0.14	-	-

CATEGORIES OF SHAREHOLDERS

As at 31 March	2019			2018		
Categories	No. of Holders	Share Holding	Total %	No. of Holders	Share Holding	Total %
Individuals	1,886	2,092,342	5.81	1,897	2,986,069	8.30
Institutions	96	33,896,214	94.19	99	33,002,487	91.70
	1,982	35,988,556	100.00	1,996	35,988,556	100.00
Public	1,969	3,963,990	11.02	1,982	3,976,529	11.05

NOTES

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Ninety Seventh Annual General Meeting of **C. W. Mackie PLC** will be held at Level 6, Public Forum, The Institute of Chartered Accountants of Sri Lanka, No.30A, Malalasekera Mawatha (Longdon Place), Colombo 7 on Thursday, 27 June 2019 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 2019 with the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To approve the re-appointment of Deshabandu Ajit Mahendra de Silva Jayaratne 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, 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***.
6. 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****.
7. 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*****.
8. To authorise the Directors to determine and make donations.
9. 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
3 June 2019

Note:

* A Notice dated 21 May 2019 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 retires by rotation in terms of Article 89 of the Articles of Association and who is seventy nine 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 21 May 2019 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 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 Mr. William Tissa Ellawala."

*** A Notice dated 21 May 2019 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 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 Mr. Ranjit Crisantha Peries."

**** A Notice dated 21 May 2019 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution, with regard to the approval of the re-appointment of Mr. H. D. S. Amarasuriya as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:

"That Mr. Hemaka Devapriya Senarath Amarasuriya who is seventy five years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. H. D. S. Amarasuriya ."

***** A Notice dated 21 May 2019 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 three years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Dr. Thirugnanasambandar Senthilverl."

(i) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attendand 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 25 June 2019.

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

as my/our Proxy to represent me/us and speak and vote on my/our behalf as indicated below at the Ninety Seventh Annual General Meeting of the Company to be held on Thursday, 27 June 2019 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 2019 with the Report of the Auditors thereon.		
2. To declare a Dividend as recommended by the Directors.		
3. To approve the re-appointment of Deshabandu A. M. De S. Jayaratne, 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 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.		
6. 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.		
7. 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.		
8. To authorise the Directors to determine and make donations.		
9. To re-appoint KPMG, Chartered Accountants, as Auditors to the Company and authorize the Directors to determine their remuneration.		

Signed this ……………….day of ………………………2019.

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 25 June 2019 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 (upto 19 March 2019)

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

G. A. de Silva (upto 31 March 2019)
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 (upto 31 March 2019)
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

P. Pavalachandran
General Manager - Group Financial Services

E. S. Edirisinghe (from 1 April 2019)
General Manager Ceymac Rubber Company Limited

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