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C. W. MACKIE PLC

ANNUAL REPORT - 2019/20

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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;
Import and sale of refrigeration and air-conditioning equipment, components, accessories, insulation tubes and refrigerant gases;
Import, sale/distribution of marine paints and protective coatings;
Import, manufacturing and distribution of branded FMCG products, personal and household care 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.65,709,041
Number of Shares Issued: 56,059,104
Group Interest: 92.85%

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.601,960,784
Number of Shares Issued: 6,019,608
Group Interest: 51%

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

ASSOCIATES

SUNQUICK LANKA (PRIVATE) LIMITED

Stated Capital: Rs.601,960,800
Number of shares issued: 6,282,4490
Group Interest: 49%

Bottling of "Sunquick" range of fruit squashes.

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, personal and household care 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; refrigeration and air-conditioning equipment, components, accessories, insulation tubes and refrigeration gases.

FINANCIAL HIGHLIGHTS

For the year ended 31 March		2020	2019	Change %
Operating Highlights and Ratios				
Group revenue	Rs. 000's	8,593,307	9,695,319	-11%
Group gross profit	Rs. 000's	1,188,104	1,284,407	-7%
Group profit before tax	Rs. 000's	21,156	330,484	-94%
Group profit/(loss) after tax	Rs. 000's	(77,969)	216,470	-136%
Profit/(loss) attributed to parent company	Rs. 000's	(75,524)	203,468	-137%
Group earnings/(loss) per share	Rs.	(2.10)	5.65	-137%
Dividend per share*	Rs.	3.50	3.50	0%
Interest cover ratio	No. of times	0.82	2.61	-68%
Net return on capital employed	%	4.67	13.31	-65%
Earnings/(loss) per share	Rs.	(2.10)	5.65	-137%
Group foreign exchange earnings	Rs. 000's	1,678,298	1,959,470	-14%
Contribution to government revenue	Rs. 000's	1,614,400	2,021,300	-20%
Group value added	Rs. 000's	2,250,100	3,262,800	-31%
Value added per employee	Rs. 000's	4,099	6,009	-32%
Balance Sheet Highlights and Ratios				
Total assets	Rs. 000's	6,031,785	5,736,091	5%
Total shareholders' funds	Rs. 000's	2,371,902	2,597,763	-9%
Total debt	Rs. 000's	1,883,446	1,355,659	39%
Current ratio	1:	1.32	1.58	-16%
Net asset value per share	Rs.	65.91	72.18	-9%
Debt/equity	%	79%	52%	52%
Debt/total assets	%	31%	24%	32%
Group capital expenditure	Rs. 000's	260,641	236,621	10%
Market / Shareholder Information				
Market value per share				
- at year end	Rs.	38.80	40.40	
- during the year - Highest	Rs.	49.00	52.40	
- during the year - Lowest	Rs.	35.30	37.00	
Dividend pay out ratio	%	-167%	62%	
Dividend yield	%	9%	9%	
Price earnings ratio (PER)	No. of times	-18.49	7.15	
General				
Number of employees in Group		549	543	
Value in Rs. at official exchange rate	United States Dollar	190.00	176.25	
	Pound Sterling	234.34	230.30	
	Euro	209.34	197.92	

* Cash dividends paid during the year

CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW

On behalf of the Board of Directors I am pleased to welcome you to the Ninety Eighth 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 2020.

FINANCIAL RESULTS

Group Gross Profit

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

	Group	
	Year ended 31 March 2020 Rs. Million	Year ended 31 March 2019 Rs. Million
C. W. Mackie PLC	1,117.0	1,132.4
Ceymac Rubber Company Limited	30.9	96.6
Ceytra (Private) Limited	6.3	14.5
Kelani Valley Canneries Limited	33.9	40.9
	1,188.1	1,284.4

Group Results from Operating Activities

The Group's result from operating activities for the period under review was Rs.137.9 million.

Group Profit Before Tax

The Group's ordinary activities resulted in a profit before tax of Rs.21.1 million for the financial year ended 31 March 2020 as given hereunder:

	Group	
	Year ended 31 March 2020 Rs. Million	Year ended 31 March 2019 Rs. Million
Profit from operating activities	137.9	394.8
Less: Net financing costs	(124.7)	(110.9)
Shares of joint venture's profit	7.9	46.6
Profit before taxation	21.1	330.5

Group Total Comprehensive Income

The total comprehensive expense of the Group after adjusting for taxation and non-controlling interests for the financial year ended 31 March 2020 was Rs.98.7 million and is shown in the following analysis:

	Group	
	Year ended 31 March 2020 Rs. Million	Year ended 31 March 2019 Rs. Million
Group profit from operating activities	137.9	394.8
Less: Net financing costs	(124.7)	(110.9)
Share of joint venture's profit	7.9	46.6
Group profit before taxation	21.1	330.5
Tax expense	(99.1)	(114.0)
Group profit/(loss) after taxation	(78.0)	216.5
Other comprehensive income/ (expense)	(23.8)	392.1
Group total comprehensive income/(expense)	(101.8)	608.6
Non-controlling interests	(3.1)	(21.5)
Equity holders of the parent company	(98.7)	587.1

OVERALL PERFORMANCE

C. W. Mackie PLC (Parent Company)

The Company's net revenue in the financial year ended 31 March 2020 was Rs.7,996.5 million. The profit from operating activities was Rs.206.7 million and the profit for the year, after charging income tax of Rs.94.4 million, was Rs.1.4 million.

C. W. Mackie PLC (Group)

The Group's consolidated net revenue for the financial year ended 31 March 2020 was Rs.8,593.3 million as compared with Rs.9,695.3 million in 2019. The major contribution towards the consolidated net revenue was from FMCG sales and distribution activities of Rs.4,134.8 million.

The results from operating activities was Rs.137.9 million and the net loss for the period, after charging income tax of Rs.99.1 million, was Rs.78.0 million.

The major factors for the decline in profit are :-

- Sharp drop in the profit from FMCG distribution activities caused by the Easter Sunday terrorist attacks in April 2019, which had an adverse effect on the country's tourist industry and disrupted domestic consumer markets.

- Impairment provision of Rs.82.0 million on preliminary expenses incurred in a hotel development project during the period 2012 - 2017 on the grounds that the prospects of the project materialising is doubtful.
- Decline in the profits from sugar trading as the principal buyer of sugar decided to import their requirements of sugar direct, instead of purchasing from the local trade.
- Significant subsidiary company losses, mainly due to lack of orders from overseas and local buyers.
- Reduced share of profit from the joint venture with Co-Ro A/S, Denmark.

INTERNAL TRADING

The internal trading activities is the largest segment of the Group trading contributing more than 76% of revenue and 802% of profits.

Fast Moving Consumer Goods (FMCG)

The manufacture, sale and distribution of FMCG contributes most to Group revenue and profit. Sales of FMCG was Rs.3,955.9 million and profit Rs.68.9 million. The distribution of Sunquick brand of fruit squashes is the highest contributor to FMCG revenue and profit.

The FMCG distribution activities were severely affected by the Easter Sunday terrorist attacks in April 2019. The flow of incoming tourists was significantly reduced and the hotel industry, a major food and beverage market for FMCG, virtually shut down. Domestic food and beverage products market was also badly disrupted and took several months to recover after the terrorist attacks in April 2019.

The construction of the plant to manufacture Sunquick Ready-to-Drink (RTD) products in partnership with Co-Ro A/S, Denmark also experienced delays and the launch of the RTD products scheduled for Q3 of 2020 has been rescheduled for Q1 of 2021. Test marketing of the 125 ml. and 200 ml. RTD products in collaboration with Co-Ro A/S, which began in Q2 of 2019, has been positive and when these products are distributed on a commercial scale from early 2021, is expected to add considerable value to the FMCG distribution segment.

The agencies acquired in the personal and household care segment and diversify the products portfolio has performed well during the first year of operation and added Rs.5,327.7 million to total revenue of the FMCG segment. The distribution of personal and household care products will be further expanded by adding more products to this portfolio.

Sugar

The Company traded 14,000 MT of sugar and realised a turnover of Rs.1.565 million as compared with 24,700 MT and turnover of Rs.2.7 billion in 2019. Sales were solely to industrial users in the confectionary, bakery, fruit juice, dairy and carbonated drinks category.

The significant reduction in turnover is mainly due to the largest buyer of sugar from the Company deciding to directly import their requirement of sugar.

Global sugar prices maintained a relatively low trend but fluctuated within a narrow range. The Government of Sri Lanka regularly intervened to change the import duty on sugar that resulted in destabilising prices of sugar traded in the local market.

The net profit of sugar traded was Rs.9.3 million as compared with Rs.57.7 million in 2019. This reflects the significant reduction in turnover and to some extent the impact of regular adjustment of import duty on sugar.

During the year under review, the Company continued providing warehousing and handling facilities for a fee to industrial users that import their own stocks of sugar. This enabled better capacity utilisation of warehouse space the Company hires for its sugar operation and made a useful contribution to revenue by way of a supplementary income stream. In the year under review, the Company derived an income of Rs.3.5 million for providing handling and warehousing facilities to customers.

Industrial Products

The core business of industrial products is the import and distribution of a wide range of welding products that is contributing 80% of the turnover.

The welding products segment grew by 19% during the year under review and achieved sales of Rs.320.8 million.

The traditional market for welding products has been the small hardware merchants, where margins are low and collection of sales proceeds slow and often difficult. The target market has been rationalised and there is greater focus on sales to end users in the construction, sugar and cement industries that enables higher margins.

Increased margins on sales on a more diversified customer base and improved collection of sales proceeds resulted in a net profit of Rs.10.7 million as compared to a net loss of Rs.9.5 million in 2019.

Refrigeration and Air Conditioning Components (R&AC)

Sales in 2019-2020 increased from Rs.255.0 million to Rs.318.1 million a significant growth of 25%. Profit for the year also similarly increased from Rs.11.2 million to Rs.29.8 million.

R&AC products was the main driver of the increased sales and profit and new products like copper tubes also significantly contributed towards the enhanced results.

Several new initiatives to expand the product range 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 achieved considerable growth, despite the severe competition prevailing in the trade. Revenue increased from Rs.297.8 million in 2019 to Rs.371.8 million in 2020 and profit from Rs.61.6 million in 2019 to Rs.71.7 million in 2020.

Although the marine paints segment remains the main driver of sales and profit, supplying to ship repair industry, sales of protective coatings to the construction industry and highway construction projects and for refurbishing hydro-electric power plants, petroleum storage tanks, irrigation infrastructure significantly added value to sales and profit of the marine paints business.

Sales to the ship building and ship repair industry is being further expanded by supplying shipbuilding and ship repair projects outside Sri Lanka in collaboration with Hempel Associates. Offshore sales are expected to contribute substantial supplementary revenue that will boost profit of the marine paints business.

EXPORT TRADING

The Company's commodity trading activities are confined to trading Natural Rubber (NR) and Desiccated Coconut (DC). Trading these commodities is severely constrained by the sharp decline in the availability of NR and DC.

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. Rubber production in Sri Lanka was 74.7 million kgs. in 2019. The total exports of all grades of rubber was 13.0 million kgs. The balance output of 61.7 million kgs. was consumed by domestic rubber products manufacturers.

It is reported that local rubber products manufacturers imported 37.0 million kgs. of NR to meet the requirements of the rubber-based industries.

The Company's exports and local sales to domestic rubber-based industries was 2.6 million kgs. and realised a gross trading profit of Rs.71.6 million.

In the case of DC, demand for household consumption is making fewer nuts available for processing of DC resulting in less quantities for export. The total national output of coconuts in 2019 is estimated to be 3.1 billion nuts. It is also estimated that the household consumption of coconuts was 2.4 billion nuts, thus leaving 700.0 million nuts for processing into DC and other coconut products.

The Company exported 2.7 million kgs. of DC during the year and realized a gross trading profit of Rs.18.1 million.

In the year under review the exports of NR and DC produced sales of Rs.1.5 billion and net profit of Rs.40.3 million.

In view of the prevailing constraints of securing adequate stocks of NR and DC for trading, Management has taken the initiative of reviving spice trading abandoned several years ago because of difficulties of sourcing spices (pepper, cardamom, nutmeg, cinnamon) in exportable quantities.

SUBSIDIARY COMPANIES

Ceymac Rubber Company Limited

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

Total sales of TSR for the year was 1.4 million kgs. and produced a gross trading profit of Rs.15.3 million.

The Company also manufacture and export sole crepe. The sole crepe exports were virtually crippled by the lack of export orders. Since July 2019, global demand declined to such as extent that total exports of sole crepe for the year was just 247,000 kgs. as compared with 340,000 kgs. in 2019. Out of this quantity export sales were only 159,000 kgs. This resulted in a gross trading loss of Rs.5.9 million. The gross trading profit from the sales of TSR was insufficient to absorb the loss from sole crepe and the management and finance costs and resulted in a net loss for the year of Rs.39.4 million.

The Company was successful in obtaining from the Government of Sri Lanka a concession under the Temporary Import for Export Processing (TIEP) scheme to import raw material for the manufacture of TSR free of import duty.

The plan is to import raw materials from other origins at lower prices to manufacture TSR for export.

Ceytra (Private) Limited

The Company manufactures moulded rubber products for export and sale locally. Sales for the year was 205 MT. and net loss Rs.2.45 million.

The Company's capacity to manufacture moulded rubber products is limited and the prospects to expand its export trade is constrained by pricing issues.

The Company is, therefore, concentrating on growing its business by penetrating the local market where there is demand for locally made moulded products in the household and automobile parts business.

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

Kelani Valley Canneries Limited (KVC)

The Company manufactures a wide range of processed, tropical fruits and vegetables and beverage products under the 'KVC' brand.

In the year under review, the product range has been further rationalised in line with market demand and potential to yield profit. Also, the Company is undertaking custom packing for proprietary customers under a fee-based scheme that enables better capacity utilisation. Both strategies have the potential to boost revenue and generate profits.

The Company is also pursuing growth through exports and several potential markets have been identified. Small orders are being exported to some markets.

The Company has been making losses for several years and the net loss for this year was Rs.34.1 million on sales of Rs.236.9 million.

During the year, the Company's Management has been strengthened by the appointment of a full time General Manager with considerable experience in working in the food and beverage industry including having worked at KVC for 12 years previously. In addition, measures to enhance productivity, improve recipes in line with market preference, strengthen sales and distribution through continuous marketing support from the parent company's sales and distribution network are being implemented in a structured manner and is expected to improve the Company's overall performance and restore profitability.

CHAIRMAN/CHIEF EXECUTIVE OFFICER'S REVIEW (Contd.)

FINANCE

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

Interest rate on bank borrowings on an average was 11.75% 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 is liable to a tax of Rs.99.1 million. This includes the adjustment of a tax under provision of Rs.21.1 million in prior years.

The Parent Company has no carried forward tax losses. Subsidiary companies, Ceymac Rubber Company Limited has a carried forward tax loss of Rs.107.0 million, Ceytra (Private) Limited a carried forward tax loss of Rs.45.2 million and Kelani Valley Canneries Limited a carried forward tax loss of Rs.316.0 million.

INDUSTRIAL RELATIONS

The industrial relations environment in all companies within the Group was stable and without any incidents and employees at all levels co-operated with the Management in maintaining a sound and cordial relationship.

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

Manning levels as at 31 March 2020 is given below: -

				Total	
Company	**Managerial/ Executives**	**Non Executives**	**Manual Operatives**	**As at 31 March 2020**	**As at 31 March 2019**
C. W. Mackie PLC	95	194	52	341	334
Ceymac Rubber Company Limited	8	24	81	113	113
Ceytra (Private) Limited	2	4	28	34	36
Kelani Valley Canneries Limited	12	15	34	61	60
Group Total	117	237	195	549	543

DIVIDEND

In view of the poor result, the Directors are not recommending a dividend to the shareholders at the Annual General Meeting for the year ended 31 March 2020.

POST COVID-19 - OUTCOMES

COVID-19 pandemic will have an adverse impact on the overall business activities and operations of the C. W. Mackie PLC Group in the foreseeable short-to-medium term. Group experienced temporary disruption in retail sales and collections from trade debtors. Further, there were import restrictions on some trading items in the Industrial Products operating segment. Retail trade may also face significant challenges as it relies on imports given the supply chain disruptions, depreciation of exchange rates, import restrictions and declining real income levels of consumers.

Export-oriented business segment's demand will be affected in the short-to-medium term given the prevailing economic uncertainty across key customers in the global markets. Also, disruptions to global supply chains, agricultural output and exchange rate volatility is expected to adversely impact on export performance.

Management had carried out a detail assessment and planned as to how the Group will continue its operations in its optimum capacity to generate projected profits and liquidity, based on different models. Given the volatile and evolving landscape, the Group management consistently monitor the impact of COVID-19 on the Group's operations and pro-actively take measures to ensure the business continues with adequate working capital management, cost reduction methods, innovations in doing the business and financial assistance from its bankers. Directors are satisfied that the Company, its subsidiaries and associates have adequate resources and capabilities to continue operations in the foreseeable future.

ACKNOWLEDGEMENTS

The present Board of Directors is composed of business leaders and professionals of the highest calibre. Their collective expertise and wide experience ensure a right balance of executive competency and inependent judgment and continues to add enormous value to the work of the Board. I am deeply grateful to the Directors for their advice, guidance and encouragement that has helped me to conduct the affairs of the Company in the best interest of all stakeholders.

The result for the year under very challenging and competitive conditions was well below expectations. However, the dedicated efforts of our highly competent Management team and staff at every level is acknowledged with great appreciation.

I would like to thank our valued trade customers, suppliers, agents, distributors, bankers, auditors, business partners, advisors, and all other stakeholders for their continuing and willing support over the years. The sustained confidence of our shareholders in our capacity to deliver a reasonable return on their investment is as always acknowledged with much appreciation.

W. T. Ellawala
Chairman/Chief Executive Officer

Colombo
31 August 2020

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 (Private) 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. Ceased to be Director/Consultant of LT&RP in October 2019 and Director of KP in November 2019. 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 in 2005 and served as Managing Director from 2009 until December 2016. Upon appointment as the Group Managing Director of The Colombo Fort Land & Building PLC (CFLB) in January 2017, he relinquished his duties as Managing Director of Lankem Ceylon PLC. He has worked several years overseas for a leading global accountancy firm. He also serves on the Boards of several subsidiaries of the CFLB 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 (CFLB) and holds the position of Deputy Chairman of CFLB and Lankem Ceylon PLC in addition to serving on the Boards of other companies within CFLB 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 UK (Sri Lanka region). His contribution to marketing and retail in Asia was recognised by the Asia Retail Congress with the Retail Leadership Award and by the Chartered Institute of Marketing UK 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 Employers' Federation of Ceylon. Presently he serves as Chairman of the Industrial Service Committee-Southern Province of the Ministry of Industries and serves on the Boards of selected public, public listed and private companies.

He was inducted to the Hall of Fame of the Institute of Chartered Accountants in 2011 and was selected CIMA Business Icon for 2013 by the Chartered Institute of Management Accountants.

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 is a visiting lecturer at the Postgraduate Studies in Management at the University of Sri Jayawardenepura and University of Colombo.

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.

GROUP MANAGEMENT

E. A. Anura K. Edirisinghe

Chief Operating Officer - Exports 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 45 years of work experience in the field of Natural Rubber Trading internationally and in the local market. He was a former Chairman of The Colombo Rubber Traders' Association and the present Secretary/Treasurer of The Colombo Rubber Buyers' Association. He holds a certificate in Business Studies from Central London College, UK and also Diploma in Business Management from National Institute of Business Management, Sri Lanka. He is a Fellow Member of Chartered Management Institute, UK and also Full Member of the Institute of Exports, UK.

T. A. P. Silva

Chief Operating Officer - Consumer Products Manufacturing

`Taps' as Chief Operating Officer-Consumer Products Manufacturing is overall responsible for Scan Water Bottling Plant and Delish Processing Plant and overlooks exports of Kelani Valley Canneries Limited, subsidiary company. He has over 29 years of experience in the field of FMCG manufacturing Sector. He holds a Masters Degree in Business Administration (MBA) from the Cardiff Metropolitan University, UK 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 27 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, UK.

Raveendra Marambage

General Manager - Group Treasury

Raveendra is the General Manager-Group Treasury of Corporate Finance Division and also a Director of the subsidiary companies, Ceymac Rubber Company Limited and Ceytra (Private) Limited. 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 16 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 24 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 21 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 24 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 26 years of experience in the fields of legal and company secretarial practices. She holds a Masters 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 36 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 is the General Manager-Group Finance and also a Director of the subsidiary companies, Ceymac Rubber Company Limited and Ceytra (Private) Limited. She joined the Company in 2012 as the Manager-Financial Reporting and has over 14 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 - Group Financial Services

Pavalachandran is the General Manager-Group Financial Services and also the Executive Director of the subsidiary company Kelani Valley Canneries Limited with effect from 1 April 2020. He joined the Company in 2017. He has over 22 years of experience in the fields of Finance & Planning, Auditing and General Management. He is an Associate Member (ACA) of the Institute of Chartered Accountants of Sri Lanka. He holds a Masters Degree in Business Management (MBA) from the University of Wales, UK.

E. Sugath Edirisinghe

Director/General Manager - Ceymac Rubber Company Limited and Ceytra (Private) Limited

Sugath is a Director/General Manager of Ceymac Rubber Company Limited and Ceytra (Private) Limited, subsidiary companies. 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 25 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.

D. P. Pubudu K. Weerasekera

General Manager - Industrial Products and Refrigeration and Air-conditioning Divisions (from 1 April 2020)

Pubudu joined the Company in 2006 as Technical Sales Executive and currently heads the Industrial Products and Refrigeration and Air-conditioning Divisions as General Manager. He has over 14 years of experience in the field of refrigeration industry. He holds a Masters Degree in Business Management (MBM) from the University of Colombo and a Higher National Diploma in Mechanical Engineering from Advanced Technological Institute, Sri Lanka. He is a Member of the International Institute of Ammonia Refrigeration, USA and the Institute of Refrigeration, UK.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

For the financial year ended 31 March 2020

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 2020 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 6 to 11.

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 expand its FMCG business portfolio into Personal and Household Care category by including all Food and Beverage and Personal and Household care categories into one Cluster/ Sector.

The Management's approach in clustering the related business activities and optimising in-house capabilities to achieve the medium to long-term objectives is in progress. The Group's Industrial cluster has been identified as one of the most potential business clusters and the corporate management is focusing on this cluster to optimise the business performance in this Sector.

Further information on future developments is provided in the Chairman/Chief Executive Officer's 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 2020 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 and are traded on the Diri Savi Board of the Colombo Stock Exchange.

The float adjusted market capitalisation of the Company as at 31 March 2020 is Rs.153,738,792.61 and the public holding percentage is 11.01% represented by 1,968 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 95 and 96 and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on page 5.

The twenty largest shareholders of the Company and details of public holding as at 31 March 2020 are indicated on page 96.

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 2020. 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	2020 Rs. 000's	2019 Rs. 000's
Revenue	8,593,307	9,695,319
Results from operating activities	**137,986**	**394,777**
Net financing costs	(124,793)	(110,952)
Share of Joint Venture's profit/(loss)	7,963	46,659
Profit before taxation	**21,156**	**330,484**
Income tax expense	(99,125)	(114,014)
Profit/(loss) for the year	**(77,969)**	**216,470**
Non-controlling interests	(2,445)	13,002
Profit/(loss) attributable to equity holders	**(75,524)**	**203,468**

The Financial Statements of the Company and Group are set out on pages 35 to 92 of the Annual Report.

DIVIDEND

The Directors have not recommended the payment of a dividend in respect of the financial year under review.

RESERVES

The Group's total reserves as at 31 March 2020 amounted to Rs.1,864.9 million (2019 - Rs.2,090.7 million). The movement of the reserves is given on page 37 under Statement of Changes in Equity and in the Notes 21 and 22 to the Financial Statements.

GROUP REVENUE

Group revenue was Rs.8,593.3 million during the year under review (2019 - Rs.9,695.3 million).

DONATIONS

The Directors have approved and made donations of Rs.324,409/- (2019 - Rs.1.3 million) 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.260.6 million (2019 - Rs.236.6 million).

BORROWINGS

Group total borrowing was Rs.1,883.4 million as at 31 March 2020 (2019 - Rs.1,355.6 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 12 and 13.

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 thirteen (13) 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. H. D. S. Amarasuriya was appointed to the Board of the Company on 22 February 2011 and has completed over nine (9) years of continuous service in his capacity as independent non-executive Director. 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 Mr. H. D. S. Amarasuriya is nevertheless independent.

Mr. K. T. A. Mangala Perera 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 24 August 2020 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 97. 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 2020	Shareholding as at 1 April 2019
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	1,782,575	10,765,575
H. D. S. Amarasuriya	Nil	Nil
K. T. A. Mangala Perera	Nil	Nil

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors responsibility for financial reporting is given on page 20.

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 21 to 23.

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 61 to 65.

MARKET VALUE OF PROPERTIES

Land and buildings of the Group, which is carried at cost, were re-valued by a professionally qualified independent valuer as at 31 March 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 24 and 25.

RATIOS AND MARKET PRICE INFORMATION

Details of ratios and relevant market price information are disclosed under Financial Highlights on page 5.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee and their Report is given on page 26.

AUDIT COMMITTEE

The composition of the Audit Committee and their Report is given on page 28.

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. Recurrent Related Party Transactions, where the aggregate value exceeds 10% of the gross revenue/ income is as per Note 32.1.3 to the audited Financial Statements for the year ended 31 March 2020.

The composition of the Related Party Transactions Review Committee and their Report is given on page 27.

AUDITORS

The Auditor's Report on the Financial Statements for the year under review is given on pages 29 to 34.

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 (2019 - Rs.2.8 million) for the Company and Rs.4.4 million (2019 - Rs.4.7 million) for the Group, respectively and additionally for non-audit related work Rs.194,000/- (2019 - Rs.1.8 million) for the Company and Rs.461,000/- (2019 - Rs.1.8 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
31 August 2020

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 29 to 34 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 policies which are applied in a consistent manner disclosing and explaining material departures therefrom, if any.

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

By Order of the Board

W. T. Ellawala
Chairman/CEO

K. T. A. Mangala Perera
Executive Director

Ms. C. R. Ranasinghe
Company Secretary

Colombo
31 August 2020

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 88.99% 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 12 and 13 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 four (4) occasions, the individual attendance by members is given below:

Name of Director	Board Meetings attended (1 April 2019 to 31 March 2020)
Mr. W. T. Ellawala	4/4
Ms. C. R. Ranasinghe	4/4
Deshabandu A. M. de S. Jayaratne	4/4
Mr. R. C. Peries	4/4
Mr. Anushman Rajaratnam	3/4
Mr. S. D. R. Arudpragasam	4/4
Dr. T. Senthilverl	4/4
Mr. H. D. S. Amarasuriya	4/4
Mr. K. T. A. Mangala Perera	4/4

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.

CORPORATE GOVERNANCE (Contd.)

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 82.

REMUNERATION COMMITTEE

The composition of the Remuneration Committee and their Report is given on page 26 of this Annual Report.

RELATIONSHIP WITH SHAREHOLDERS

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

Annual General Meeting

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

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

Release of Information to the Public and Colombo Stock Exchange

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

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

After adequate assessment of the Company's financial position and resources, the Directors are of the opinion that the Company is capable of operating in the foreseeable future. In view of this, the "going concern" principle has been adopted in the preparation of the Financial Statements. The Auditors' Report on the Financial Statements for the year under review is given on pages 29 to 34.

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 20.

Audit Committee

The composition of the Audit Committee and their Report is given on page 28 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 27 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 16 to 19 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 realising its potential and to manage them in order to minimise adverse effects and maximise 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 this means the Company effectively provides for its foreign exchange exposure by minimising 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 centralised 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 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

31 August 2020

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 2020 the Related Party Transactions Review Committee had four (4) 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. Recurrent Related Party Transactions, where the aggregate value exceeds 10% of the gross revenue/ income is as per Note 32.1.3 to the audited financial statements for the year ended 31 March 2020.

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

31 August 2020

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-Group Finance 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 2020 the Audit Committee had four (4) meetings. The minutes of the Audit Committee meetings are circulated to the full Board of the Company.

ROLE OF THE COMMITTEE

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

FINANCIAL REPORTING

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

INTERNAL AUDIT, RISKS AND CONTROL

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

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

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

EXTERNAL AUDIT

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

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

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

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

The Audit Committee after evaluating the effectiveness of the independent performance of the External Auditors, has recommended to the Board of Directors that KPMG, Chartered Accountants, be re-appointed Auditors for the financial year ending 31 March 2021 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

31 August 2020

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
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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 profit or loss and other comprehensive income and the statement of financial position as at 31 March 2020, statement of changes in equity, 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 35 to 92.

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 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

KPMG

Revenue Recognition	
Refer to the accounting policies in "Note 3.16.1 to the Financial Statements: Revenue – sale of goods", "Note 05 to the Financial Statements: Revenue"	
Risk Description	**Our responses**
Revenue from sale of goods (Rs.8,593,307,000/-) is recognised when control has been transferred to the buyer; and is measured net of trade discounts and volume rebates (trade spend) for which judgement is required by management to estimate accruals. In addition, the Company considers revenue as an important element in measuring, management performance and how management are incentivised. These factors could create an incentive for revenue to be recognised prior to control being transferred. We identified the recognition of revenue as a key audit matter because revenue is a significant audit risk and one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of revenue recognition by management to meet specific targets or expectations.	Our audit procedures included; • Assessing the effectiveness of key internal controls regarding the recognition of revenue such as matching a sample of sales invoices recognised to sales orders and dispatch notes. • Testing, on a sample basis, whether specific revenue transactions around the year end had been recognised 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 the same.

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”	
Risk Description	**Our responses**
As at the reporting date, the Group holds inventory of Rs.1,199,376,000/-. As discussed on page 49, 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. Further, COVID 19 outbreak resulted in interruption in business activities and resulted in loss of income for some of the individuals/industries which would adversely affect the ability to sell its inventories with a reasonable margin which would potential impact on the net realizable value adjustments. We identified assessing the carrying value of inventories as a key audit matter because of the inherent risk that the Group’s inventories may become obsolete or may be sold at prices below their carrying values and because the judgment exercised by management in determining the appropriate provision for inventories involves management’s bias.	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; • 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.

KPMG

Provision for impairment of Trade Receivables	
Refer to the accounting policies in "Note 3.11 to the Financial Statements: Impairment", "Note 16.1 to the Financial Statements: Trade receivables from related parties" and "Note 16.3 to the Financial statement: Trade receivables"	
Risk Description	**Our responses**
As disclosed in Note 16.1 and 16.3 to the financial statements, the Group has recognised trade receivable from related parties and trade receivables balances of Rs. 42,332,000/- and Rs.2,054,117,000/- as at 31 March 2020, after provision for impairment of Rs.81,939,000/- and Rs.63,772,000/- respectively. The Group's customers operate in a number of sectors, having different credit profiles. SLFRS 9 – "Financial Instruments" ECL Model 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. Provision for impairment of trade receivables remains one of the most significant judgment made by the management particularly in light of the uncertain economic outlook in Sri Lanka as at the reporting date due to the potential impact of the Covid-19 outbreak. 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 used 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. • Evaluating the completeness, accuracy and relevance of data used in preparation of the impairment provision. • Comparing the economic factors used in the models to market information to assess whether they are aligned with the market and economic development. • Challenging how management had assessed the impact of Covid-19 within the ECL model to assess whether that it was appropriately considered in the measurement of ECLs at year end. • 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.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
31 August 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group 2020 Rs. 000's	Group 2019 Rs. 000's	Company 2020 Rs. 000's	Company 2019 Rs. 000's
Revenue	5	8,593,307	9,695,319	7,996,503	8,954,396
Cost of sales		(7,405,203)	(8,410,912)	(6,879,506)	(7,821,951)
Gross profit		1,188,104	1,284,407	1,116,997	1,132,445
Other operating income	6	151,545	164,089	173,905	189,978
Distribution expenses		(509,677)	(509,504)	(470,168)	(464,615)
Administrative expenses		(691,986)	(544,215)	(614,053)	(468,540)
Results from operating activities	7	137,986	394,777	206,681	389,268
Finance income		42,907	40,213	38,451	6,058
Finance costs		(167,700)	(151,165)	(157,232)	(135,913)
Net financing costs	8	(124,793)	(110,952)	(118,781)	(129,855)
Share of joint venture's profit/(loss)		7,963	46,659	7,963	46,659
Profit before taxation		21,156	330,484	95,863	306,072
Income tax expense	9	(99,125)	(114,014)	(94,428)	(104,907)
Profit/(loss) for the year		(77,969)	216,470	1,435	201,165
Other comprehensive income/(expense) net of income tax					
Revaluation of land		-	445,032	-	87,032
Actuarial gain/(loss) on defined benefit plans		(23,858)	25,046	(17,480)	16,631
Related tax on other comprehensive income		-	(77,915)	-	(27,456)
Other comprehensive income/(expense) for the year, net of tax		(23,858)	392,163	(17,480)	76,207
Total comprehensive income/(expense) for the year		(101,827)	608,633	(16,045)	277,372
Profit/(loss) attributable to:					
Equity holders of the parent		(75,524)	203,468	1,435	201,165
Non-controlling interests		(2,445)	13,002	-	-
Profit/(loss) for the year		(77,969)	216,470	1,435	201,165
Total comprehensive income/(expense) attributable to:					
Equity holders of the parent		(98,716)	587,122	(16,045)	277,372
Non-controlling interests		(3,111)	21,511	-	-
Total comprehensive income/(expense) for the year		(101,827)	608,633	(16,045)	277,372
Basic earnings/(loss) per share (Rupees)	10	(2.10)	5.65	0.04	5.59
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 41 to 92.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
Assets					
Non-current assets					
Property, plant and equipment	12.1 / 12.2	1,510,216	1,353,977	416,674	424,068
Investment property	12.3	197,100	205,942	19,181	23,980
Intangible assets	12.4	5,984	17,189	5,921	17,189
Right-of-use asset	12.5	139,543	-	138,398	-
Investments in subsidiaries	13	-	-	931,518	871,518
Investment in joint venture	14	341,765	333,802	341,765	333,802
Deferred tax asset	28.1	9,395	9,395	-	-
Total non-current assets		2,204,003	1,920,305	1,853,457	1,670,557
Current assets					
Inventories	15	1,130,309	1,018,366	1,018,409	914,852
Trade and other receivables	16	2,405,992	2,381,485	2,194,300	2,241,615
Interest bearing short term loan to related parties	17	215,586	120,178	215,586	120,178
Cash and cash equivalents	19	75,895	295,757	24,138	83,492
Total current assets		3,827,782	3,815,786	3,452,433	3,360,137
Total assets		6,031,785	5,736,091	5,305,890	5,030,694
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	359,428	59,576	59,576
Revenue reserves	22	1,496,693	1,722,554	1,807,934	1,949,939
Equity attributable to equity holders of the parent		2,371,902	2,597,763	2,389,466	2,531,471
Non-controlling interests	23	343,451	345,377	-	-
Total equity		2,715,353	2,943,140	2,389,466	2,531,471
Liabilities					
Non-current liabilities					
Long term borrowings	24.2	93,404	193,381	91,750	191,590
Lease payable after one year	25.1	103,807	795	103,285	-
Retirement benefit obligation	26	79,837	42,484	42,871	16,711
Deferred income/revenue	27.1	877	250	-	-
Deferred tax liability	28.1	133,757	136,335	50,496	54,373
Total non-current liabilities		411,682	373,245	288,402	262,674
Current liabilities					
Deferred income/revenue	27.1	75	75	-	-
Current portion of long term borrowings	24.2	101,044	101,659	99,960	99,960
Lease payable within one year	25.2	25,716	237	25,443	-
Interest bearing short term borrowings	29	1,403,591	974,738	1,258,591	882,738
Income tax payable	30	68,305	57,935	66,828	51,592
Trade and other payables	31	1,150,135	1,200,213	1,048,471	1,159,676
Bank overdrafts	19	155,884	84,849	128,729	42,583
Total current liabilities		2,904,750	2,419,706	2,628,022	2,236,549
Total liabilities		3,316,432	2,792,951	2,916,424	2,499,223
Total equity and liabilities		6,031,785	5,736,091	5,305,890	5,030,694
Net asset value per share (Rupees)		65.91	72.18	66.40	70.34

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 41 to 92.

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 35 to 92 were approved by the Board of Directors and were signed in Colombo on 31st August 2020 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 2020

Group	Attributable to equity holders of the parent company						Non-controlling interests	Total
	Stated capital	Capital reserves	Revaluation reserve	General reserve	Retained earnings	Total		
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Balance as at 1 April 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
Balance as at 1 April 2019	507,047	8,734	359,428	7,000	1,715,554	2,597,763	345,377	2,943,140
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(75,524)	(75,524)	(2,445)	(77,969)
Other comprehensive expense, net of tax	-	-	-	-	(23,192)	(23,192)	(666)	(23,858)
Total comprehensive expense for the year	-	-	-	-	(98,716)	(98,716)	(3,111)	(101,827)
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)
Effect of change in percentage of holding of subsidiary Company					(1,185)	(1,185)	1,185	-
Balance as at 31 March 2020	507,047	8,734	359,428	7,000	1,489,693	2,371,902	343,451	2,715,353

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 41 to 92.

STATEMENT OF CHANGES IN EQUITY (Contd.)

For the year ended 31 March 2020

Company	Stated capital Rs.000's	Capital reserves 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 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
Balance as at 1 April 2019	507,047	14,909	59,576	7,000	1,942,939	2,531,471
Total comprehensive income for the year						
Profit for the year	-	-	-	-	1,435	1,435
Other comprehensive expense, net of tax	-	-	-	-	(17,480)	(17,480)
Total comprehensive expense for the year	-	-	-	-	(16,045)	(16,045)
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 2020	507,047	14,909	59,576	7,000	1,800,934	2,389,466

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 41 to 92.

STATEMENT OF CASH FLOW

For the year ended 31 March	Group		Company	
	2020 Rs. 000's	2019 Rs. 000's	2020 Rs. 000's	2019 Rs. 000's
Cash flows from operating activities				
Profit before taxation	21,156	330,484	95,863	306,072
Adjustments for :				
Depreciation and amortisation of investment property, intangible assets and property, plant and equipment	139,812	116,158	116,958	88,537
Profit on disposal of property, plant and equipment	(5,600)	(14,934)	(5,598)	(12,819)
Share of joint venture's (profit)/loss	(7,963)	(46,659)	(7,963)	(46,659)
Provision for retirement benefit obligation	14,266	16,796	8,680	10,513
Finance income	(10,069)	(38,852)	(24,566)	(6,058)
Finance costs	167,700	151,165	157,232	135,913
Unrealised (profit)/loss on inventory	1,659	(262)	-	-
Provision for slow moving inventories	52,646	31,331	48,102	29,258
Provision/(reversal) for market returns	1,000	(2,537)	1,000	(12,000)
Provision for impairment of trade receivables	19,880	13,098	18,109	12,608
Provision for impairment of receivables from related parties	81,939	-	81,939	-
Operating profit before working capital changes	476,426	555,788	489,756	505,365
Changes in working capital				
Change in inventories	(166,248)	(163,013)	(151,659)	(144,680)
Change in trade and other receivables	(143,964)	84,150	(70,371)	(1,146)
Change in interest bearing short term loan to related parties	(95,408)	(120,178)	(95,408)	(120,178)
Change in trade and other payables	(51,078)	262,588	(112,205)	193,987
Change in deferred income/revenue	627	(75)	-	-
Cash generated from operating activities	20,355	619,260	60,113	433,348
Interest paid	(155,664)	(150,999)	(145,330)	(133,856)
Payments to gratuity fund	-	(12,087)	-	(9,249)
Gratuity paid	(771)	(1,385)	-	-
Income tax/ESC paid	(91,333)	(110,256)	(83,069)	(109,186)
Net cash flows from/(used in) operating activities	(227,413)	344,533	(168,286)	181,058

STATEMENT OF CASH FLOW (Contd.)

For the year ended 31 March		Group 2020 Rs. 000's	Group 2019 Rs. 000's	Company 2020 Rs. 000's	Company 2019 Rs. 000's
Cash flows from investing activities					
Purchase of property, plant and equipment		(260,641)	(236,621)	(76,264)	(51,491)
Proceeds from disposal of property, plant and equipment		13,238	15,173	12,511	12,977
Investment in subsidiary		-	-	(60,000)	-
Net cash flows used in investing activities		(247,403)	(221,448)	(123,753)	(38,514)
Cash flows from financing activities					
Long term borrowings/(repayments)		(100,592)	290,995	(99,840)	291,550
Short term borrowings obtained/(repayments)		428,853	(288,046)	375,853	(239,063)
Lease rental paid		(28,451)	(371)	(28,080)	-
Interest received		10,069	38,852	24,566	6,058
Dividend paid		(125,960)	(125,960)	(125,960)	(125,960)
Net cash flows (used in)/from financing activities		183,919	(84,530)	146,539	(67,415)
Net changes in cash and cash equivalents		(290,897)	38,555	(145,500)	75,129
Cash and cash equivalents at beginning of the year		210,908	172,353	40,909	(34,220)
Cash and cash equivalents at the end of the year	(Note 19)	(79,989)	210,908	(104,591)	40,909

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements set out on pages 41 to 92.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 Domicile and legal form

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

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

1.2 Principal activities and nature of operations

The C. W. Mackie PLC Group is engaged in a diversity of activities such as export of natural rubber and desiccated coconut; rubber-based products for export and sale locally; import, manufacture and distribution of branded consumer products including personal and household care products, 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.

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 16 - Leases has 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 are 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 accounting policies

3.1.1 New and amended standards and interpretations

The Group initially applied SLFRS 16 Leases from 1 April 2019. A number of other new standards are also effective from 1 April 2019, but they do not have a material effect on the Group's Financial Statements.

The Group applied SLFRS 16 using the modified retrospective approach, (option B), under which no cumulative effect of initial recognition is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2018/19 is not restated, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

3.1.1.1 Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease". The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained.

On transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered or changed on or after 1 April 2019.

3.1.1.2 As a lessee

As a lessee, the Group leases motor vehicles and right-of-use of buildings. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognises right-of-use assets and lease liabilities for the leases – i.e. these leases are on-balance sheet.

a) Lease classified as operating lease under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019. Right-of-use assets are measured at:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all the leases.

The Group used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of LKAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

b) Leases classified as finance leases under LKAS 17

The Group leases motor vehicles and these leases were classified as finance leases under LKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

3.1.1.3 Impact on transition

On transition to IFRS 16, the Group and Company recognized an additional of right of use of assets and lease liabilities, as at 1 April 2019 as follows and the weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 12.5%.

	Group	Company
	Rs.000's	Rs.000's
Right of use of assets	72,894	72,894
Prepayment in the lease rentals	10,618	10,618
Lease liabilities	82,569	82,569
Current lease liabilities	19,607	19,607
Non current lease liabilities	62,962	62,962

The change in accounting policy affected the following items in Statement of Financial Position as at 1 April 2019:

	Impact	Group	Company
		Rs.000's	Rs.000's
Property, plant and equipments	Decrease	(1,573)	-
Right of use of assets	Increase	74,468	72,894
Trade and other receivables	Decrease	(10,618)	(10,618)
Lease liabilities	Increase	82,569	82,569
Current lease liabilities		19,607	19,607
Non-current lease liabilities		62,962	62,962

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 “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 parties sharing control.

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

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

Dividends declared by the equity accounted investees are recognised against the equity value of the Group's investment.

The Income Statement reflects the Group's share of the results of operations of the equity accounted investees. When there is a change recognised directly in the equity of the entity, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity.

Unrealised gains and losses resulting from transactions between the Group and the equity-accounted investees are eliminated to the extent of the interest in the equity-accounted investees. The Group's share of profit or loss of equity accounted investees is shown on the face of the income statement and represents profits or loss after tax of the entity and the non-controlling interests in the subsidiaries of the equity-accounted investees.

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

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

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

3.3 Foreign currency translations

Transactions in foreign currencies are translated to Sri Lankan 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 Lankan 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 Lankan 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 Lankan 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

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 the 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 derecognition 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.

3.4.2.2 Financial liabilities

3.4.2.2.1Classification, 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 are 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 realise 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, the Group applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Group policy is to revalue all freehold land by an independent professional valuer every three year or when there is a substantial difference between the fair value and the carrying amount.

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

3.6.1 Recognition

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.

3.6.2 Measurement

Investment properties are initially measured at its cost and transaction costs shall be included in the initial measurement. Subsequent to the initial recognition the investment properties are stated at cost model which is in accordance with LKAS 16 – “Property, Plant and Equipment”.

Depreciation is provided on a straight-line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal.

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

Buildings	40 Years or period of the lease, whichever is less

3.6.3 Derecognition

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

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

The Group has adopted SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 3.1 to the Financial Statements.

(a) Policy applicable from 1 April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or

- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 April 2019. At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(b) Policy applicable before 1 April 2019

For contracts entered into before 1 April 2019, the Group determined whether the arrangement was or contained a lease as follows.

Leases of property, plant and equipment that transfer to the Group substantially all the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable for that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group`s statement of financial position.

Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of lease.

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.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term leases
The Group has elected not to recognise right of use assets and lease liabilities for short term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight – line basis over the lease term.

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

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 forward-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.

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 recognised if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. An impairment loss in respect for assets is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 entirely 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.

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 recognised 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 Fund
The Group and executive staff contribute 15% and 10% respectively and the Group and clerical staff (other than Scan Products 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 35 and 36 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

3.16.1 Revenue recognition

Revenue from contracts with Customers
SLFRS 15 "Revenue from Contracts with Customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within SLFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer that is distinct.

Step 3: Determine the transaction price: Transaction price is the amount of consideration to which the entity expects to be entitled to in exchange for transferring the promised goods and services to a customer, excluding amounts collected from third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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 Government grants

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

3.18 Other expenditure

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

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

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

3.18.1 Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

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

3.18.2 Income tax

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

Current tax

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

Deferred tax

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

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

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

3.19 Segment reporting

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

3.20 Basic earnings per share

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

3.21 Statement of cash flows

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

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

3.22 Related party transactions

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

3.23 Comparative information

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

4 EFFECT OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1 January 2020. Accordingly, these Standards have not been applied in preparing these Financial Statements.

(a) Amendments to LKAS 1 and LKAS 8: Definition of Material

(b) Amendments to SLFRS 3: Definition of a Business
Amendments to references to the conceptual framework in SLFRS standards

Since the amendments are effective for annual periods beginning on or after 1 January 2020, the Group will not be affected by these amendments as at the reporting date. Further, the amended standards and interpretations are not expected to have a significant impact on the Company's Financial Statements.

For the year ended 31 March	Group		Company	
	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
5. REVENUE				
Gross revenue	9,307,162	10,426,629	8,674,123	9,643,643
Less:				
Trade and free issues	(131,729)	(135,649)	(131,729)	(135,410)
Turnover related taxes	(582,126)	(595,661)	(545,891)	(553,837)
Net revenue	8,593,307	9,695,319	7,996,503	8,954,396

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

5.1 Operating segments

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

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

The Group comprises the following main business segments:

- **Commodity trading**

  Export and local sale of all grades of natural rubber, thick pale crepe rubber (TPC), ribbed smoked sheet rubber (RSS) and desiccated coconut and non traditional spices.
- **Rubber based products manufacturing**

  Manufacture of technically specified rubber (TSR), plantation sole crepe rubber, specialised industrial sole crepe rubber and moulded rubber products.
- **Industrial products**

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

  Manufacture and trading of FMCG products and trading of sugar.
- **Other**

  Other Group results mainly comprise with rent income from investment properties.

For the year ended 31 March 2020

Group **Business segments**	**Commodity Trading**	**Rubber Based Products Manufacturing**	**Industrial Products**	**Consumer Goods**	**Other**	**Consolidated**
	Rs.000's	**Rs.000's**	**Rs.000's**	**Rs.000's**	**Rs.000's**	**Rs.000's**
Total revenue	1,494,025	569,274	1,042,299	5,700,391	-	8,805,989
Inter-segment revenue	-	(15,717)	(523)	(196,442)		(212,682)
Revenue from external customers	1,494,025	553,557	1,041,776	5,503,949	-	8,593,307
Segment gross profit	120,633	38,832	263,033	765,606	-	1,188,104
Operating overheads	(108,849)	(41,808)	(117,863)	(628,091)	(131,094)	(1,027,705)
Depreciation and amortisation	(14,505)	(13,870)	(15,657)	(49,945)	(45,835)	(139,812)
Contribution to defined benefit plan for gratuity	(1,301)	(4,661)	(1,736)	(3,963)	(2,605)	(14,266)
Provision for impairment of trade debtors	-	-	(7,526)	(12,354)	-	(19,880)
Other operating income	312	4,025	4,125	5,947	137,136	151,545
Results from operating activities	(3,710)	(17,482)	124,376	77,200	(42,398)	137,986
Finance income (including foreign exchange gain/loss)	10,482	2,392	-	185	29,848	42,907
Finance costs	-	(5,718)	(2,370)	(29,759)	(129,853)	(167,700)
Share of joint venture's profit	-	-	-	-	7,963	7,963
Profit/(loss) before taxation	6,772	(20,808)	122,006	47,626	(134,440)	21,156
Income tax expense	(15,988)	-	(40,669)	(30,365)	(12,103)	(99,125)
Profit/(loss) for the year	(9,216)	(20,808)	81,337	17,261	(146,543)	(77,969)
Total assets	375,477	836,229	399,226	2,326,361	2,094,492	6,031,785
Total liabilities	736,992	239,870	129,372	1,313,125	897,073	3,316,432
Capital expenditure	670	8,374	30,591	41,056	179,883	260,574
Accquisition of right-of-use assets	-	-	69,357	-	-	69,357
Total depreciation	14,505	13,870	15,657	49,945	45,835	139,812

For the year ended 31 March 2019

Group

Business segments

	Commodity Trading	Rubber Based Products Manufacturing	Industrial Products	Consumer Goods	Other	Consolidated
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	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 gain/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/(loss)	-	-	-	-	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/(loss) 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		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
6. OTHER OPERATING INCOME					
Sundry income		6,904	29,286	6,559	28,852
Profit on disposal of property, plant and equipment		5,600	14,934	5,598	12,819
Government grants		75	75	-	-
Service fee		1,618	1,494	22,621	20,900
Export handling fee		-	-	13,394	21,866
Rent income		137,348	118,300	125,733	105,541
		151,545	164,089	173,905	189,978

For the year ended 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
7. RESULTS FROM OPERATING ACTIVITIES					
7.1 Results from operations is stated after charging:					
Depreciation on					
- Property, plant and equipment		94,664	94,616	76,286	71,514
- Leasehold property		24,575	-	24,146	-
- Investment property		8,842	9,318	4,799	4,799
- Intangible assets		11,731	12,224	11,727	12,224
Directors' emoluments	(Note 32.2)	30,510	29,907	27,817	27,151
Personnel expenses	(Note 7.3)	331,488	299,885	231,652	206,692
Auditors' remuneration - Audit fees		4,395	4,675	2,800	2,800
- Non-audit services		461	1,829	194	1,829
- Audit related fee and expenses		1,064	1,038	963	944
Other auditors' remuneration - Internal audit fees		2,003	1,111	1,073	564
Provision/(reversal) for market returns		1,000	(2,537)	1,000	(12,000)
Provision for obsolete inventories	(Note 15.1)	52,646	31,331	48,102	29,258
Provision for impairment of trade receivables	(Note 16.3)	19,880	13,098	18,109	12,608
Provision for impairment of receivables from related parties	(Note 16.3)	81,939	-	81,939	-
7.2 Results from operations comprise those of the:					
Company		206,681	389,268	206,681	389,268
Subsidiary companies		(68,695)	5,509	-	-
		137,986	394,777	206,681	389,268
7.3 Personnel expenses :					
Salaries and wages		271,125	241,725	189,593	166,537
Contribution to defined contribution plans (EPF/MSPS/ ETF)		46,097	41,364	33,379	29,642
Contribution to defined benefit plan for gratuity	(Note 26.6)	14,266	16,796	8,680	10,513
		331,488	299,885	231,652	206,692

For the year ended 31 March		Group		Company	
		2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
8. NET FINANCING COSTS					
Interest cost					
Interest on other borrowings		155,664	150,999	144,675	133,855
Lease interest		12,036	166	11,902	-
Interest on inter company balances		-	-	655	-
Net foreign exchange loss		-	-	-	2,058
		167,700	151,165	157,232	135,913
Interest income					
Interest on fixed deposits/savings accounts		(10,069)	(35,579)	(436)	(508)
Interest from inter company balances		-	-	(3,558)	(2,277)
Interest on related party loan granted		(20,572)	(3,273)	(20,572)	(3,273)
Net foreign exchange gain		(12,266)	(1,361)	(13,885)	-
		(42,907)	(40,213)	(38,451)	(6,058)
		124,793	110,952	118,781	129,855
9. INCOME TAX EXPENSE					
9.1 Current tax expense					
Income tax on current year's profit	(Note 9.3)	80,592	90,560	77,146	84,146
Under/(over) provision for previous year		21,111	21,089	21,159	21,239
		101,703	111,649	98,305	105,385
Deferred tax expense					
Deferred taxation	(Note 28)	(2,578)	2,365	(3,877)	(478)
		(2,578)	2,365	(3,877)	(478)
		99,125	114,014	94,428	104,907

9.2 The Company and subsidiaries, are liable for income tax at the rate of 28%, 24%, 18% and 14% on taxable profits in accordance with the provisions of Inland Revenue Act No. 24 of 2017.

The Group has applied the Notices PN/IT/2020 dated 6 May 2020 issued by the Commissioner General of Inland Revenue in arriving at the tax liability for the year of assessment 2019/2020. Further, the difference between computing current tax liability using the proposed rate of 24% and existing 28% has an immaterial impact on the Financial Statement.

For the year ended 31 March	Group		Company	
	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
9.3 Reconciliation of accounting profit to income tax :				
Profit before income tax	21,156	330,484	95,863	306,072
Less: Other sources of income	(51,674)	(11,708)	(31,874)	(6,058)
Aggregate disallowable expenses	398,941	(33,214)	341,302	97,270
Aggregate allowable expenses	(171,712)	(133,308)	(143,319)	(102,821)
Aggregate disallowable income	-	(14,934)	-	-
Other sources of income	43,711	11,708	23,911	6,058
Total statutory income	240,422	149,028	285,883	300,521
Tax losses set-off	-	(30,436)	-	-
Assessable income	240,422	118,592	285,883	300,521
Taxable income	240,422	118,592	285,883	300,521
Applicable tax rates:				
Income tax @ 28%	64,500	90,560	61,054	84,146
Income tax @ 24%	13,984	-	13,984	-
Income tax @ 18%	405	-	405	-
Income tax @ 14%	1,703	-	1,703	-
Total income tax on taxable profit	80,592	90,560	77,146	84,146
9.4 Accumulated tax losses				
Tax losses at the beginning of the year	418,938	417,818	-	-
Adjustment to the tax loss brought forward	(6,915)	(565)	-	-
Loss for the year	56,109	32,121	-	-
Tax loss set off during the year	-	(30,436)	-	-
Tax losses at the end of the period	468,132	418,938	-	-
9.5 Economic service charge				
Balance at the beginning of the year	47,103	50,259	34,901	38,763
Payments made during the year	46,249	49,672	41,792	47,212
Set off against income tax	(46,595)	(51,079)	(46,430)	(51,074)
Write-off during the year	(8,770)	(1,749)	-	-
Balance at the end of the year	37,987	47,103	30,263	34,901

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		Company	
	2020	2019	2020	2019
Net profit/(loss) attributable to ordinary shareholders (Rs.'000)	(75,524)	203,468	1,435	201,165
Weighted average number of ordinary shares	35,988,556	35,988,556	35,988,556	35,988,556
Earnings/(loss) per share (Rupees)	(2.10)	5.65	0.04	5.59
11. DIVIDEND PER SHARE (RUPEES)				
Gross dividend paid during 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 2020 Rs.000's	Total 2019 Rs.000's
Cost												
Balance at the beginning 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
Additions during the year	-	-	575	18,265	1,742	6,543	50,764	3,761	178,465	-	260,115	234,737
Disposals during the year	-	-	-	(1,398)	(749)	-	(27,640)	-	-	-	(29,787)	(20,556)
Transfers to right-of-use assets	-	-	-	-	-	-	-	-	-	(2,145)	(2,145)	-
Revaluation during the year	-	-	-	-	-	-	-	-	-	-	-	445,032
Balance at the end of the year	38,419	742,000	225,017	331,354	73,492	38,668	312,623	61,930	363,250	-	2,186,753	1,958,570
Accumulated depreciation												
Balance at the beginning of the year	23,638	-	53,751	246,105	49,936	22,742	177,918	29,932	-	571	604,593	530,294
Depreciation charge for the year	2,950	-	10,161	19,613	9,457	3,169	43,014	6,300	-	-	94,664	94,616
Disposals during the year	-	-	-	(1,398)	(599)	-	(20,152)	-	-	-	(22,149)	(20,317)
Transfers to right-of-use assets	-	-	-	-	-	-	-	-	-	(571)	(571)	-
Balance at the end of the year	26,588	-	63,912	264,320	58,794	25,911	200,780	36,232	-	-	676,537	604,593
Written down value :												
As at 31 March 2020	11,831	742,000	161,105	67,034	14,698	12,757	111,843	25,698	363,250	-	1,510,216	
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

12.2 Property, plant and equipment - Company

As at 31 March

	Buildings on Leasehold Land	Freehold Land	Freehold Buildings	Plant, Machinery and Tools	Computer and Other Installations	Office, Factory and Lab Equipments	Freehold Motor Vehicles	Furniture and Fittings	Capital Work-in-Progress	Leasehold Motor Vehicles	Total 2020	Total 2019
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Cost												
Balance at the beginning of the year	38,419	170,000	42,492	121,474	62,757	32,125	261,860	51,632	-	-	780,759	658,325
Additions during the year	-	-	120	10,160	1,603	6,543	50,764	3,751	2,864	-	75,805	50,738
Disposals during the year	-	-	-	-	(749)	-	(24,689)	-	-	-	(25,438)	(15,336)
Revaluation during the year	-	-	-	-	-	-	-	-	-	-	-	87,032
Balance at the end of the year	38,419	170,000	42,612	131,634	63,611	38,668	287,935	55,383	2,864	-	831,126	780,759
Accumulated depreciation												
Balance at the beginning of the year	23,638	-	10,728	73,789	41,458	22,742	159,175	25,161	-	-	356,691	300,355
Depreciation charge for the year	2,950	-	3,104	12,387	8,876	3,169	39,970	5,830	-	-	76,286	71,514
Disposals during the year	-	-	-	-	(599)	-	(17,926)	-	-	-	(18,525)	(15,178)
Balance at the end of the year	26,588	-	13,832	86,176	49,735	25,911	181,219	30,991	-	-	414,452	356,691
Written down value :												
As at 31 March 2020	11,831	170,000	28,780	45,458	13,876	12,757	106,716	24,392	2,864	-	416,674	
As at 31 March 2019	14,781	170,000	31,764	47,685	21,299	9,383	102,685	26,471	-	-		424,068

	Group		Company	
	2020	2019	2020	2019
	Rs.000's	Rs.000's	Rs.000's	Rs.000's
12.3 Investment property				
Cost				
Balance at the beginning of the year	249,656	248,525	62,344	62,344
Additions	-	1,131	-	-
Balance at the end of the year	249,656	249,656	62,344	62,344
Accumulated depreciation				
Balance at the beginning of the year	43,714	34,396	38,364	33,565
Depreciation charge for the year	8,842	9,318	4,799	4,799
Balance at the end of the year	52,556	43,714	43,163	38,364
Written down value as at 31 March	197,100	205,942	19,181	23,980

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 an independent professional valuer Mr. K. T. D. Tissera, J. P. U. M., Diploma in Valuation (Sri Lanka), F. R. I. C. S.(Eng.), F. I. V. (Sri Lanka), Chartered Valuation Surveyor. These properties were valued on an open market value 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	275.0
Munagama, Horana	
Total	545.8

Rent income is included in the Statement of Comprehensive Income as:

For the year ended 31 March	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
Rent income	137,348	118,300	125,733	105,541
Direct operating expenses arising from investment property that generated rental income during the year	21,875	21,101	15,046	14,272

	Group		Company	
	2020	2019	2020	2019
	Rs.000's	Rs.000's	Rs.000's	Rs.000's
12.4 Intangible assets				
Software purchased				
Cost				
Balance at the beginning of the year	68,270	67,517	68,270	67,517
Additions	526	753	459	753
Balance at the end of the year	68,796	68,270	68,729	68,270
Accumulated amortisation				
Balance at the beginning of the year	51,081	38,857	51,081	38,857
Amortisation for the year	11,731	12,224	11,727	12,224
Balance at the end of the year	62,812	51,081	62,808	51,081
Written down value as at 31 March	5,984	17,189	5,921	17,189

For the year ended 31 March	Group		Company	
	2020	2019	2020	2019
	Rs.000's	Rs.000's	Rs.000's	Rs.000's
12.5 Right-of-use asset				
Cost				
As at 1 April 2019	-	-	-	-
Transfer of right-of-use-assets on initial application of SLFRS 16	2,145	-	-	-
Recognition of right-of-use-assets on initial application of SLFRS 16	93,187	-	93,187	-
Adjusted balance as at 1 April 2019	95,332	-	93,187	-
Additions during the year	69,357	-	69,357	-
Balance at the end of the year	164,689	-	162,544	-
Accumulated depreciation				
As at 1 April 2019	-	-	-	-
Transfer of right-of-use-assets on initial application of SLFRS 16	571	-	-	-
Recognition of right-of-use-assets on initial application of SLFRS 16	20,293	-	20,293	-
Adjusted balance as at 1 April 2019	20,864	-	20,293	-
Depreciation charge of the right-of-use assets for the year	4,282	-	3,853	-
Balance at the end of the year	25,146	-	24,146	-
Written down value as at 31 March	139,543	-	138,398	-

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 2020 is Rs.413.4 million (2019-Rs.319 Mn).

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31 March 2020 is Rs.227.3 million (2019-Rs.166.8 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		
C. W. Mackie PLC		
No: 36, D.R.Wijewardena Mawatha, Colombo 10	1A, 2R, 13.86P	4
Investment Property		
C. W. Mackie PLC		
No: 36, D.R.Wijewardena Mawatha, Colombo 10	57,158 Sq Ft	2
Sunquick Lanka Properties (Private) Limited	2A,3R,33.07P	8
Munagama, Horana		
Freehold Land and Building		
C. W. Mackie PLC		
Scan Water Bottling Plant - Munagama, Horana	3A,0R,5.21P	4
Ceymac Rubber Company Limited		
Aramangolla, Horana	5A,0R,0.45P	11
Thebuwana, Narthupana	5A,1R,10.00P	8
Kelani Valley Canneries Limited		
Kaluaggala, Hanwella	2A,0R, 35.00P	7

12.7 Capitalisation of borrowing costs

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

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

There are no significant changes in the Company's or its subsidiaries' fixed assets and the market value of land when compared to the book value as at 31 March 2020.

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 Co-Ro A/S, Denmark. Accordingly, the Company has capitalised the improvements made to land and buildings in the design stage of the project as at the year end.

As at 31 March	Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 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	-	-	187,032	127,032
Less: Provision for impairment loss	-	-	(21,989)	(21,989)
	-	-	165,043	105,043
	-	-	931,518	871,518

Directors' valuation of investment in subsidiaries has been carried out on cash flow basis as at 31 March 2020 and present value of expected cash flows exceeds its carrying value and thus no impairment was recognised.

14. INVESTMENTS IN JOINT VENTURE

	Group 2020	Group 2019	Company 2020	Company 2019
Sunquick Lanka (Private) Limited	341,765	333,802	341,765	333,802
	341,765	333,802	341,765	333,802

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 of Co-Ro A/S, Denmark 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 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
Summarised statement of profit or loss and other comprehensive income				
Revenue	1,264,116	1,475,450	1,264,116	1,475,450
Operating expenses	(1,168,291)	(1,376,635)	(1,168,291)	(1,376,635)
Other operating income	4,085	4,732	4,085	4,732
Finance income	-	-	-	-
Finance cost	(32,642)	7,249	(32,642)	7,249
Income tax	(51,017)	(15,225)	(51,017)	(15,225)
Other comprehensive expense	-	(348)	-	(348)
Total comprehensive income/(expense) for the year	16,251	95,223	16,251	95,223
Share of profit/(loss) for the year	7,963	46,659	7,963	46,659
Summarised statement of financial position				
Non current assets	635,497	427,457	635,497	427,457
Current assets	1,105,448	878,611	1,105,448	878,611
Non current liabilities	55,276	-	55,276	-
Current liabilities	988,189	624,839	988,189	624,839
Equity	697,480	681,229	697,480	681,229
Carrying amount of the investments	341,765	333,802	341,765	333,802
Equity reconciliation				
Carrying value as at 1 April	333,802	287,143	333,802	287,143
Share of profit/(loss)	7,963	46,659	7,963	46,659
Carrying value as at 31 March	341,765	333,802	341,765	333,802

Subsidiaries - Unquoted	Principal Activity	Holding %	Deemed Cost 31.03.2020 Rs.000's	Deemed Cost 31.03.2019 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.	92.84%	187,032	127,032
Sunquick Lanka Properties (Private) Limited	Own the production site and production facilities in Horana and to lease out these facilities to Sunquick Lanka (Private) Limited pursuant to a lease agreement.	51.00%	307,000	307,000

As at 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
15. INVENTORIES					
Raw materials		59,825	38,785	7,229	4,697
Work-in-progress		10,015	9,263	-	-
Finished goods		988,865	881,324	949,450	836,295
Goods-in-transit		918	693	918	693
Other consumables		56,755	51,230	35,807	29,566
Right to recover returned goods		82,998	79,238	82,998	79,238
		1,199,376	1,060,533	1,076,402	950,489
Less: Provision for slow moving inventories	(Note 15.1)	(69,067)	(42,167)	(57,993)	(35,637)
		1,130,309	1,018,366	1,018,409	914,852
15.1 Provision for slow moving inventories					
Balance at the beginning of the year		42,167	20,005	35,637	15,548
Provision made during the year		52,646	31,331	48,102	29,258
Write-off during the year		(25,746)	(9,169)	(25,746)	(9,169)
Balance at the end of the year		69,067	42,167	57,993	35,637

Inventories mentioned above are stated at the lower of cost and net realisable value. Inventories amounting to Rs.1,199.3 million (2019 – Rs.1,060.5 million) have been pledged as security for short term loans and overdraft facilities obtained from banks (Note 29.2)

As at 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
16. TRADE AND OTHER RECEIVABLES					
Trade receivables from related parties	(Note 16.1)	42,332	101,929	88,098	167,254
Trade receivables	(Note 16.3)	2,054,117	2,003,229	1,913,458	1,845,897
Deposits		9,185	13,323	7,838	12,477
Loans to employees	(Note 16.5)	21,583	21,299	4,193	6,098
Other receivables	(Note 16.6)	278,775	241,705	180,713	209,889
		2,405,992	2,381,485	2,194,300	2,241,615
16.1 Trade receivable from related parties					
Ceymac Rubber Company Limited		-	-	12,335	4,411
Ceytra (Private) Limited		-	-	13,040	3,096
Sunquick Lanka Properties (Private) Limited		-	-	2	2
Kelani Valley Canneries Limited		-	-	20,432	58,174
CWM Hotels Holdings Limited		81,939	81,939	81,939	81,939
Ceylon Tapes (Private) Limited		47	26	55	37
Ceylon Trading Company Limited		555	162	555	162
E.B.Creasy & Company PLC		4	5	4	5
York Hotel Management Services Limited		174	129	174	129
Sigiriya Village Hotels PLC		537	-	537	-
Beruwala Resorts Limited		-	132	-	132
Union Commodities (Private) Limited		36,560	17,848	36,509	17,479
Candy Delights Limited		4,455	1,688	4,455	1,688
		124,271	101,929	170,037	167,254
Less : Provision for impairment loss	(Note 16.2)	(81,939)	-	(81,939)	-
		42,332	101,929	88,098	167,254

The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at the rate of 11.5% per annum (2019-12.5%).

As at 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
16.2 Provision for impairment loss					
Balance at the beginning of the year		-	-	-	-
Provision made during the year		(81,939)	-	(81,939)	-
Balance at the end of the year		(81,939)	-	(81,939)	-
16.3 Trade receivables					
Trade receivables - Local sales		1,812,348	1,884,028	1,686,553	1,790,633
- Export sales		305,541	166,034	286,298	99,489
		2,117,889	2,050,062	1,972,851	1,890,122
Less : Provision for impairment loss	(Note 16.4)	(63,772)	(46,833)	(59,393)	(44,225)
		2,054,117	2,003,229	1,913,458	1,845,897

Trade debtors amounting to Rs.2,117.8 million (2019-Rs.2,050 million) have been pledged as security for short term loans and overdraft facilities obtained from banks (Note 29.2).

As at 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
16.4 Provision for impairment loss					
Balance at the beginning of the year		46,833	36,078	44,225	33,960
Provision made during the year		19,880	13,098	18,109	12,608
Write-off during the year		(2,941)	(2,343)	(2,941)	(2,343)
Balance at the end of the year		63,772	46,833	59,393	44,225
16.5 Loans to employees					
Balance at the beginning of the year		21,299	19,682	6,098	7,103
Loans granted during the year		16,784	17,205	4,427	7,689
		38,083	36,887	10,525	14,792
Recovered during the year		(16,500)	(15,575)	(6,332)	(8,681)
Write-off during the year		-	(13)	-	(13)
Balance at the end of the year		21,583	21,299	4,193	6,098

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

		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
16.6 Other receivables					
Payments in advance		167,326	127,947	86,261	113,525
Economic service charge	(Note 9.5)	37,987	47,103	30,263	34,901
VAT receivable		34,769	42,453	17,974	24,349
NBT receivable		963	-	922	-
WHT receivable		13,423	13,022	11,075	11,124
Prepayments		1,746	7,709	1,005	7,527
Income tax refund		233	233	-	-
Other receivables		45,749	26,659	40,791	26,041
		302,196	265,126	188,291	217,467
Less : Provision for other receivables	(Note 16.6.1)	(23,421)	(23,421)	(7,578)	(7,578)
		278,775	241,705	180,713	209,889
16.6.1 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 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
Balance at the beginning of the year	120,178	-	120,178	-
Capital granted during the year	200,000	120,000	200,000	120,000
Interest accrued during the year	15,586	178	15,586	178
Repayments during the year	(120,178)	-	(120,178)	-
Balance at the end of the year	215,586	120,178	215,586	120,178
17.1 Related party company				
Lankem Ceylon PLC	215,586	-	215,586	-
Colonial Motors (Ceylon) Limited	-	120,178	-	120,178
	215,586	120,178	215,586	120,178

17.2 Short term loans granted to related parties are based on market interest rates where as repayment terms are less than one year.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
18. OTHER INVESTMENTS					
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	-	-
19. CASH AND CASH EQUIVALENTS					
Bank balances		74,001	97,862	22,519	81,963
Cash in hand		1,894	1,804	1,619	1,529
Short term deposits		-	196,091	-	-
		75,895	295,757	24,138	83,492
Bank overdraft		155,884	84,849	128,729	42,583
Cash and cash equivalents for cash flow purpose		(79,989)	210,908	(104,591)	40,909
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	359,428	59,576	59,576
Adjustment due to merger of subsidiary		-	-	14,909	14,909
Export development grant reserve		8,734	8,734	-	-
		368,162	368,162	74,485	74,485
22. REVENUE RESERVES					
General reserves*		7,000	7,000	7,000	7,000
Retained earnings		1,489,693	1,715,554	1,800,934	1,942,939
		1,496,693	1,722,554	1,807,934	1,949,939

* 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	
	2020 Rs. 000'	2019 Rs. 000'	2020 Rs. 000'	2019 Rs. 000'	2020 Rs. 000'	2019 Rs. 000'	2020 Rs. 000'	2019 Rs. 000'
NCI percentage (%)	37.18%	37.18%	49%	49%	8.44%	12.94%		
Total assets	68,391	67,971	671,912	602,333	986,850	941,716	1,055,241	1,009,687
Total liabilities	11,062	6,803	15,760	3,266	373,185	362,827	384,247	369,630
Net assets	57,329	61,168	656,152	599,067	613,665	578,889	670,994	640,057
Carrying amount of NCI	21,315	22,742	321,514	293,543	622	29,092	343,451	345,377
Revenue	65,923	78,002	-	-	737,694	861,779	803,617	939,781
Profit/(loss) after tax	(2,451)	5,375	3,635	30,615	(78,929)	(20,947)	(81,380)	(15,572)
Total comprehensive income	(3,840)	6,967	3,635	30,615	(83,918)	209,127	(87,758)	216,094
Profit/(loss) allocated to NCI	(1,428)	2,590	1,781	15,002	(3,464)	3,919	(3,111)	21,511
Cash flows from/(used in) operating activities	3,128	(4,802)	15	127,526	(87,202)	(32,643)	(84,059)	90,081
Cash flows from/(used in) investing activities	219	239	(60,189)	(167,859)	(6,297)	(9,631)	(66,267)	(177,251)
Cash flows from/(used in) financing activities, before dividend to NCI	3,727	4,354	-	-	111,877	25,269	115,604	29,623
Cash flows from financing activities	3,727	4,354	-	-	111,877	25,269	115,604	29,623
Net increase in cash and cash equivalents	7,074	(209)	(60,174)	(40,333)	18,378	(17,005)	(34,722)	(57,547)

As at 31 March	Group		Company	
	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
24. LOANS AND BORROWINGS				
Balance at the beginning of the year	295,040	4,045	291,550	-
Obtained during the year	947	300,827	-	299,880
Repayments during the year	(101,539)	(9,832)	(99,840)	(8,330)
Balance at the end of the year	194,448	295,040	191,710	291,550

24.1 Sources of finance

Commercial Bank of Ceylon PLC	194,448	295,040	191,710	291,550
	194,448	295,040	191,710	291,550

24.2 Maturity analysis

Payable after one year but less than five years	93,404	193,381	91,750	191,590
Payable within one year	101,044	101,659	99,960	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	13.5% p.a
Kelani alley 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 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
25. FINANCE LEASE LIABILITY				
Balance at the beginning of the year	1,329	1,700	-	-
Adjustment due to initial application of SLFRS 16	82,569	-	82,569	-
Obtained during the year	62,337	-	62,337	-
Interest expense for the year	11,902	-	11,902	-
Repayments during the year	(28,451)	(371)	(28,080)	-
Balance at the end of the year	129,686	1,329	128,728	-
Interest in suspense	(163)	(297)	-	-
Capital outstanding at the end of the year	129,523	1,032	128,728	-
25.1 Payable after one year				
Lease rental payable	103,872	958	103,285	-
Interest in suspense	(65)	(163)	-	-
	103,807	795	103,285	-
25.2 Payable within one year				
Lease rental payable	25,814	371	25,443	-
Interest in suspense	(98)	(134)	-	-
	25,716	237	25,443	-
25.3 Amount recognised in profit or loss				
Leases under SLFRS 16				
Depreciation of right-of-use assets	24,575	-	24,146	-
Interest on lease liability	12,036	-	11,902	-
	36,611	-	36,048	-
25.4 Amount recognised in Statement of Cash Flow				
Total cash outflow for leases	(28,451)	(371)	(28,080)	-

As at 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
26. RETIREMENT BENEFIT OBLIGATION					
Present value of defined benefit obligation	(Note 26.2)	121,827	95,277	85,902	67,464
Fair value of plan assets	(Note 26.3)	(55,009)	(52,787)	(53,133)	(50,753)
Unrecognised actuarial gain/(loss)	(Note 26.4)	-	-	-	-
		66,818	42,490	32,769	16,711
Arrears payable to the CWM Staff Non-Contributory Gratuity Fund	(Note 26.5)	13,019	(6)	10,102	-
		79,837	42,484	42,871	16,711

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 2020 and the appropriate adjustments have been effected in the Financial Statements.

As at 31 March	Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
26.1 Plan assets consist of the following:				
Treasury bills	39,130	37,997	37,565	36,558
Balance with Group Companies	13,024	-	12,503	-
Cash	2,090	13,311	2,006	12,778
Others	765	1,479	734	1,417
	55,009	52,787	52,808	50,753
26.2 Movement in present value of defined benefit obligations				
Balance at the beginning of the year	95,277	107,924	67,464	74,755
Current service cost	8,709	9,386	6,194	6,692
Interest cost	10,956	11,871	7,758	8,223
Benefits paid by the plan	(13,186)	(8,281)	(9,070)	(4,907)
Actuarial (gain)/loss	20,071	(25,623)	13,556	(17,299)
Balance at the end of the year	121,827	95,277	85,902	67,464
26.3 Movement in fair value of plan assets				
Balance at the beginning of the year	52,787	43,712	50,753	42,677
Contribution paid into gratuity fund	13,025	12,087	10,102	9,249
Benefits paid by the gratuity fund	(12,415)	(6,896)	(9,070)	(4,907)
Expected return on plan assets	5,399	4,461	5,272	4,402
Actuarial gain	(3,787)	(577)	(3,924)	(668)
Balance at the end of the year	55,009	52,787	53,133	50,753
26.4 Unrecognised actuarial (gain)/loss				
Balance at the beginning of the year	-	-	-	-
Actuarial (gain)/loss for year – obligation	20,071	(25,623)	13,556	(17,299)
Actuarial (gain)/loss for year - plan assets	3,787	577	3,924	668
Actuarial gain/(loss) recognised during the year	(23,858)	25,046	(17,480)	16,631
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	13,025	12,087	10,102	9,249
Paid to the fund	-	(12,087)	-	(9,249)
Balance at the end of the year	13,019	(6)	10,102	-
26.6 Amount recognised in the Statement of Comprehensive Income				
Recognised in profit or loss				
Current service cost	8,709	9,386	6,194	6,692
Interest cost	10,956	11,871	7,758	8,223
Expected return on plan assets	(5,399)	(4,461)	(5,272)	(4,402)
	14,266	16,796	8,680	10,513

As at 31 March	Group		Company	
	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
Recognised in the other comprehensive income				
Recognition of actuarial loss/(gain)	23,858	(25,046)	17,480	(16,631)
Total amount recognised in the Statement of Profit or Loss and Other Comprehensive Income	38,124	(8,250)	26,160	(6,118)

26.7 Actuarial assumptions

As at 31 March	Group		Company	
	2020	2019	2020	2019
Discount rate	10.00%	11.50%	10.00%	11.50%
Expected return on plan assets	6.34%	9.10%	6.34%	9.10%
Future salary increases	10.00%	10.00%	10.00%	10.00%
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 2020	Sensitivity effect on			
	Total Comprehensive Income increase/ (reduction)		Employment benefit increase/(reduction) in the liability	
	Group Rs.000's	Company Rs.000's	Group Rs.000's	Company Rs.000's
Decrease in discount rate (1%)	(12,154)	(8,311)	12,154	8,311
Increase in discount rate (1%)	10,503	7,156	(10,503)	(7,156)
	12,181	8,324	(12,181)	(8,324)
Increase in salary escalation) (1%)	(13,911)	(9,531)	13,911	9,531

31 March 2019	Sensitivity effect on			
	Total Comprehensive Income increase/ (reduction)		Employment benefit increase/(reduction) in the liability	
	Group Rs.000's	Company Rs.000's	Group Rs.000's	Company Rs.000's
Decrease in discount rate (1%)	(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

As at 31 March	Group		Company	
	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's

27. DEFERRED INCOME/REVENUE

Government grant	952	325	-	-
	952	325	-	-

27.1 Maturity analysis

Non-current	877	250	-	-
Current	75	75	-	-

Kelani Valley Canneries Limited (KVC) has been awarded a government grant in December 2016 from Industrial Development Board of Ceylon, amounting to Rs.500,000/- for the acquisition of fully automated jam cup filing machine which was total cost of Rs.1.3 million. During the year, the company has received Rs.702,375/- related the above said grant. The grant was received under the scheme with the aim of facilitating Micro Small and Medium Enterprise's (MSME) engaged in food based products by supporting them with funds needed to acquire new technology or purchase modern machinery to enhance the quality or productivity of their production. The government grant recognised as deferred income is being amortised over the useful life of the machinery.

In accordance with the term of the grant KVC shall start the production with above machinery and shall not sell, assign, pledge, mortgage, gift let rent the machinery for a period of five years from the date of purchase of machinery.

28. DEFERRED TAXATION

Balance at the beginning of the year	126,940	46,660	54,373	27,395
Reversal of temporary differences recognised in profit for the year	(2,578)	2,365	(3,877)	(478)
Origination of temporary differences recognised in the Statement of Other Comprehensive Income	-	77,915	-	27,456
Balance at the end of the year	124,362	126,940	50,496	54,373

28.1 Deferred tax asset	(9,395)	(9,395)	-	-
Deferred tax liability	133,757	136,335	50,496	54,373
	124,362	126,940	50,496	54,373

28.2 The effective tax rate of 28% (2019-28%), 28% (2019-14%), 28% (2019-28%) and 28% (2019-28%) were applied respectively by the Company and subsidiaries: Ceymac Rubber Company Limited, Ceytra (Private) Limited and Sunquick Lanka Properties (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	2020		2019	
Group	Temporary differences Rs.000's	Tax Effect Rs.000's	Temporary differences Rs.000's	Tax Effect Rs.000's
On property, plant and equipment	724,718	178,033	706,489	175,429
On retirement gratuity	(44,719)	(14,883)	(38,810)	(10,387)
On tax losses carried forward	(161,150)	(38,102)	(161,150)	(38,102)
On other provisions	(2,450)	(686)	-	-
	518,849	124,362	506,529	126,940

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Company	2020		2019	
	Temporary differences Rs.000's	Tax effect Rs.000's	Temporary differences Rs.000's	Tax effect Rs.000's
On property, plant and equipment	215,561	60,357	210,899	59,052
On retirement gratuity	(32,769)	(9,175)	(16,711)	(4,679)
On other provisions	(2,450)	(686)	-	-
	180,342	50,496	194,188	54,373

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 :

	2020		2019	
	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	106,817	29,909	86,670	12,134
On retirement gratuity	(24,096)	(6,747)	(19,242)	(2,694)
On tax losses carried forward	(106,979)	(29,954)	(89,808)	(12,573)
	(24,258)	(6,792)	(22,380)	(3,133)

The Company has not recognised the deferred tax asset amounting to Rs.6.8 million (2019-Rs.3.1 million) with an effective rate of 28% (2019-14%) during the year ended 31 March 2020.

Deferred tax asset - Ceytra (Private) 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:

	2020		2019	
	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	56	16	85	24
On Retirement gratuity	(5,125)	(1,435)	(3,324)	(931)
On tax losses carried forward	(45,804)	(12,825)	(42,267)	(11,835)
	(50,873)	(14,244)	(45,506)	(12,742)

The Company has not recognised the change in the deferred tax asset amounting to Rs.4.8 million (2019-Rs.3.3 million) during the year ended 31 March 2020, as the management was of the view that the deferred tax asset will not be crystalised exceeding of Rs.9.4 million in the foreseeable future.

Deferred tax asset - Kelani Valley Canneries Limited

Kelani Valley Canneries Limited has not recognised the deferred tax asset amounting to Rs.81 million (2019-Rs.72 million) for the year ended 31 March 2020, as the management was of the view that the asset will not be crystallised in the foreseeable future.

The deferred tax asset on temporary differences are as follows:

	2020		2019	
	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	30,906	8,654	30,845	8,637
On retirement gratuity	(4,822)	(1,350)	(3,208)	(898)
On tax losses carried forward	(315,905)	(88,453)	(286,863)	(80,322)
	(289,821)	(81,149)	(259,226)	(72,583)

	Group		Company	
As at 31 March	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
29. INTEREST BEARING SHORT TERM BORROWINGS				
Short term money market loans/Import loans	1,403,591	974,738	1,258,591	882,738
	1,403,591	974,738	1,258,591	882,738
29.1 Sources of finance				
Hatton National Bank PLC	370,000	260,000	290,000	200,000
Commercial Bank of Ceylon PLC	541,113	324,861	476,113	292,861
NDB Bank PLC	285,000	185,000	285,000	185,000
Standard Chartered Bank	207,478	204,877	207,478	204,877
	1,403,591	974,738	1,258,591	882,738

29.2 Assets pledged as securities against short term borrowings

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

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

As at 31 March		Group 2020 Rs.000's	Group 2019 Rs.000's	Company 2020 Rs.000's	Company 2019 Rs.000's
30. INCOME TAX PAYABLE					
Balance at the beginning of the year		57,935	56,542	51,592	55,392
Add:					
Income tax provision for the year		80,592	90,560	77,146	84,147
Under provision in respect of previous year		21,111	21,089	21,159	21,239
Less:					
Income tax/ ESC payments during the year		(91,333)	(110,256)	(83,069)	(109,186)
Balance at the end of the period		68,305	57,935	66,828	51,592
31. TRADE AND OTHER PAYABLES					
Trade payables to related parties	(Note 31.1)	360,289	555,414	362,331	584,248
Other trade payables		316,093	322,381	242,302	279,102
Dividends payable		5,466	4,786	5,048	4,611
Accruals		56,332	47,580	46,141	34,118
Pre-paid advances		183,649	47,847	181,397	46,096
Sundry creditors		15,969	9,654	15,912	9,654
VAT and NBT payables		-	5,118	-	4,744
Other provisions		92,870	87,459	87,242	83,262
Refund liabilities		104,482	99,722	104,482	99,722
Other payables		14,985	20,252	3,616	14,119
		1,150,135	1,200,213	1,048,471	1,159,676
31.1 Trade payables to related parties:					
Colombo Fort Group Services (Private) Limited		-	20	-	20
Sunquick Lanka (Private) Limited		350,323	546,584	352,365	575,768
Colonial Motors (Ceylon) Limited		4	15	4	15
Kiffs (Private) Limited		9,962	8,384	9,962	8,384
J F Packaging (Private) Limited		-	350	-	-
Carplan Limited		-	61	-	61
		360,289	555,414	362,331	584,248

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 2020 Rs.000's	 2019 Rs.000's
Ceymac Rubber Company Limited	Subsidiary	Interest on current account balance	(93)	458
Director:		Service fees	7,159	9,816
Mr. W. T. Ellawala		Inter company sales/(purchases)	(6,733)	161
		Export handling fee	13,394	21,866
		Expense reimbursements	5,897	5,517
		Rental paid	(1,368)	(1,039)
		Inter company settlements	(10,332)	(35,319)
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	64	71
Director :		Service fees	7,434	4,368
Mr. W. T. Ellawala,		Inter company sales/(purchases)	(198)	4
		Investment related transactions	(10,000)	-
		Net settlements	(6,261)	(5,548)
		Expense reimbursements	18,904	1,562
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	3,167	1,499
Directors :		Inter company purchases	(178,004)	(173,598)
Mr. W. T. Ellawala		Inter company sales	33,396	35,104
Dr. T. Senthilverl		Expense reimbursements	16,087	6,363
Mr. K. T. A. Mangala Perera		Net settlements	31,692	135,761
Ms. C. R. Ranasinghe		Service fee	1,919	5,537
Mr. Anushman Rajaratnam		Investment related transactions	(50,000)	-
		Fund transfers	104,000	50,000
Corporate guarantee of C.W. Mackie PLC for short term loans of Rs.90 million to Commercial Bank of Ceylon PLC.				
Sunquick Lanka Properties (Private) Limited	Subsidiary	Net settlements	3	(282)
Directors :		Expense reimbursements	(3)	284
Mr. W. T. Ellawala,				
Mr. K. T. A. Mangala Perera				

32.1.2 Transactions with other related companies

Name of the related party	Relationship	Nature of the transaction	Amounts (paid) / received 2020 Rs.000's	Amounts (paid) / received 2019 Rs.000's
For the year ended 31 March				
Sunquick Lanka (Private) Limited	Jointly controlled entity	Inter company purchases	(1,457,673)	(1,809,520)
Directors :		Inter company sales	142,499	177,453
Mr. W. T. Ellawala,		Net settlements	1,436,864	1,251,113
Mr. Anushman Rajaratnam		Expense reimbursements	98,844	119,048
Mr. K. T. A. Mangala Perera		Service rendered	2,869	(894)
Ceylon Trading Company Limited	Affiliate	Rent income	2,760	2,100
Directors :		Secretarial and legal fees	(18,203)	(16,124)
Mr. W. T. Ellawala		Inter company sales	9	-
Ms. C. R. Ranasinghe		Management fees/overheads	(19,299)	(17,660)
		Net settlements	(3,185)	31,837
		Expense reimbursements	810	9
Kotagala Plantations PLC	Common directors	Purchase of rubber through commodity brokers at the auction	-	141,622
Directors :				
Mr. R. C. Peries				
Mr. S. D. R. Arudpragasam				
Colombo Fort Group Services (Private) Limited	Common directors	Services received	(13,934)	14,116
		Net settlements	13,954	(14,772)
Directors :				
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
Union Commodities (Private) Limited	Common directors	Inter company purchases	(139,015)	(243,406)
Directors :		Inter company sales	783	879
Mr. S. D. R. Arudpragasam		Net settlements	51,170	191,706
Mr. Anushman Rajaratnam		Advance payments for purchases	106,206	101,809
		Services received	(114)	-
Lankem Ceylon PLC	Common directors	Inter company purchases	(16)	-
Directors :		Net settlements	(4,793)	-
Mr. S. D. R. Arudpragasam		Short term loan granted	200,000	138,095
Mr. Anushman Rajaratnam		Interest on loan granted	20,395	(138,095)
E. B. Creasy & Company PLC	Common directors	Services received	(972)	-
Director :		Advance payments	324	-
Mr. S. D. R. Arudpragasam		Inter company sales	4	136
		Net settlements	643	(368)
Sigiriya Village Hotels PLC	Common directors	Inter company sales	537	-
Director :				
Mr. S. D. R. Arudpragasam				

Name of the related party For the year ended 31 March	Relationship	Nature of the transaction	Amounts (paid) / received 2020 Rs.000's	 2019 Rs.000's
C. W. Mackie Group Staff Non-Contributory Gratuity Fund	Defined benefit plan	Amount paid to gratuity fund	-	(9,249)
		Amount paid by gratuity fund to employees	9,070	4,907
Lanka Special Steel Limited	Common directors	Inter company sales	-	461
Director :		Net settlements	-	(461)
Mr. S. D. R. Arudpragasam				
Ceylon Tapes (Private) Limited	Common directors	Inter company sales	55	37
Directors :		Net settlements	(37)	-
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				
York Hotel Management Services Limited	Common directors	Inter company sales	45	62
Director :		Net settlements	-	(44)
Mr. A. Rajaratnam				
Marawila Resorts PLC	Common directors	Services rendered	1,571	(1,437)
Director :		Net settlements	(1,571)	1,437
Mr. S. D. R. Arudpragasam				
Beruwala Resorts Limited	Common directors	Inter company sales	9	131
Director :		Net settlements	(141)	(180)
Mr. S. D. R. Arudpragasam				
Candy Delights Limited/ (Formerly known as 'Creasy Foods Limited')	Common directors	Inter company sales	14,443	5,063
Director :		Net settlements	(11,676)	(3,375)
Mr. S. D. R. Arudpragasam				
Colonial Motors (Ceylon) Limited	Common directors	Services rendered	(737)	(1,154)
Directors :		Net settlements	749	1,263
Mr. Anushman Rajaratnam		Short term loan settlements	(120,355)	120,000
Mr. S. D. R. Arudpragasam		Interest on short term loan	177	177
Kiffs (Private) Limited	Common directors	Inter company purchases	(95,055)	(112,518)
Directors :		Net settlements	93,477	123,699
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				

32.1.3 Recurrent related party transactions

Name of the related party	Relationship	Nature of the transaction	Terms and Conditions of the related party transactions	2020		2019	
				Rs.000's	As a % of net revenue	Rs.000's	As a % of net revenue
Sunquick Lanka (Private) Limited	Jointly controlled entity	Purchase of "Sunquick "branded products for redistribution	On arms length terms in ordinary course of business	1,701,885	21.28%	2,106,915	23.53%

Aggregate value of the recurrent related party transactions with Sunquick Lanka (Private) Limited during the financial year 2019/20 exceeds 10% of the gross revenue of 2019/20 audited Financial Statements.

32.1.4 Non recurrent related party transactions

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 2020.

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		Company	
	2020	2019	2020	2019
Short-term employee benefits	29,180	29,907	27,817	27,151
Terminal benefits	1,330	-	-	-
Total compensation paid to key management personnel	30,510	29,907	27,817	27,151

33. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date no circumstances have arisen that would require adjustment to or disclosure in the Financial Statements.

34. OTHER MATTERS : IMPACT OF COVID 19

COVID-19 pandemic will have an adverse impact on the overall business activities and operations of the C. W. Mackie PLC Group in the foreseeable short to medium term. Group experienced temporary disruption in retail sales and collections from trade debtors. Further there were import restrictions on some trading items in the Industrial Products operating segment. Retail trade may also face significant challenges as it relies on imports given the supply chain disruptions, depreciation of exchange rates, import restrictions and declining real incomes levels of consumers.

Export-oriented business segments' demand will be affected in the short-to-medium term given the prevailing economic uncertainty across key customers in the global markets. Meanwhile, disruptions to global supply chains, agricultural output and exchange rate volatility is expected to adversely impact on export performance.

Management had carried out a detail assessment and planned as to how the Group will continue its operations in its optimum capacity to generate projected profits and liquidity, based on different models. Given the volatile and evolving landscape, the Group management consistently monitor the impact of COVID-19 on the Group's operations and pro-actively take measures to ensure the business continues with adequate working capital management, cost reduction methods, innovations in doing the business and financial assistance from its bankers. Directors are satisfied that the Company, its subsidiaries and associates have adequate resources and capabilities to continue operations in the foreseeable future.

35. 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	2020 Rs.Mn	2019 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 as at 31 March	2020 Rs.Mn	2019 Rs.Mn
Ceymac Rubber Company Limited	80	72
Kelani Valley Canneries Limited	65	65
Total	145	137

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

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

36. 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 2020 is USD 0.31 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.

37. COMPARATIVE FIGURES

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

38. 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 38.1)
- Liquidity risk (Note 38.2)
- Market risk (Note 38.3)
- Operational risk (Note 38.4)

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.

38.1 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:

As at 31 March	Carrying amount			
	Group		Company	
	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
Trade receivables from related parties	42,332	101,929	88,098	167,254
Interest bearing short term loan to related parties	215,586	120,178	215,586	120,178
Trade receivables	2,054,117	2,003,229	1,913,458	1,845,897
Deposits	9,185	13,323	7,838	12,477
Loans to employees	21,583	21,299	4,193	6,098
Other receivables	278,775	241,705	180,713	209,889
Short term deposits	-	196,091	-	-
Balances with banks	74,001	97,862	22,519	81,963
Total	2,695,579	2,795,616	2,432,405	2,443,756

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	31 March 2020		31 March 2019	
	Gross Balance Rs.000's	Impairment Rs.000's	Gross Balance Rs.000's	Impairment Rs.000's
Group				
Past due 0-30 days	842,471	-	1,319,595	-
Past due 31-90 days	985,278	-	573,920	-
Past due 91-180 days	190,786	-	74,100	-
Past due 181-270 days	27,845	479	19,653	-
Past due 271-365 days	6,464	6	18,569	2,608
More than one year	65,045	63,287	44,225	44,225
Total	2,117,889	63,772	2,050,062	46,833

As at 31 March	31 March 2020		31 March 2019	
	Gross Balance	Impairment	Gross Balance	Impairment
	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Company				
Past due 0-30 days	725,518	-	1,221,810	-
Past due 31-90 days	972,471	-	513,711	-
Past due 91-180 days	185,768	-	69,334	-
Past due 181-270 days	23,242	-	21,908	-
Past due 271-365 days	6,459	-	19,134	-
More than one year	59,393	59,393	44,225	44,225
Total	1,972,851	59,393	1,890,122	44,225

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:

As at 31 March	Carrying amount			
	Group		Company	
	2020	2019	2020	2019
	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Domestic	1,764,093	1,816,080	1,641,968	1,726,108
Asian region	98,065	153,750	89,973	96,553
European region	159,473	32,195	150,158	23,232
African region	4,525	4	4,523	4
Southern American region	20,643	-	20,643	-
Northern American region	7,318	615	6,193	-
Australian region	-	585	-	-
Total	2,054,117	2,003,229	1,913,458	1,845,897

Cash and cash equivalents

The Group and Company held cash and cash equivalents of Rs.75.9 million (2019-Rs.295.7 million) and Rs.24.1 million (2019-Rs.83.5 million) retrospectively at 31 March 2020 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.

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Outstanding as at 31 March	2020 Rs.Mn	2019 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	80	72
Kelani Valley Canneries Limited	65	65
Total	145	137

Expected credit losses

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)

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

		12-month ECL Rs. 000's	Life Time ECL – Not Credit Impaired Rs. 000's	Life Time ECL – Credit Impaired Rs. 000's	Unclassified Rs. 000's	Total Rs. 000's
Group						
As at 31 March 2020						
Cash and cash equivalents	Note 19	75,895	-	-	-	75,895
Trade and other receivables	Note 16	2,405,992	-	-	-	2,405,992
Interest bearing short term loan to related parties	Note 17	215,586	-	-	-	215,586
Other non financial assets		-	-	-	3,334,312	3,334,312
Total assets		2,697,473	-	-	3,334,312	6,031,785
Company						
As at 31 March 2020						
Cash and cash equivalents	Note 19	24,138	-	-	-	24,138
Trade and other receivables	Note 16	2,194,300	-	-	-	2,194,300
Interest bearing short term loan to related parties	Note 17	215,586	-	-	-	215,586
Other non financial assets		-	-	-	2,871,866	2,871,866
Total assets		2,434,024	-	-	2,871,866	5,305,890

		12-month ECL Rs. 000's	Life Time ECL – Not Credit Impaired Rs. 000's	Life Time ECL – Credit Impaired Rs. 000's	Unclassified Rs. 000's	Total 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

38.2 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 2020, Group has unutilised banking facilities amounting to Rs.194.5 million (2019-Rs.605.5 million) representing 11% (2019-36%) 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

	2020			2019		
As at 31 March	**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	194,448	101,044	93,404	295,040	101,659	193,381
Lease liability	129,523	25,716	103,807	1,032	237	795
Interest bearing short term borrowings	1,403,591	1,403,591	-	974,738	974,738	-
Trade and other payable	789,846	789,846	-	644,799	644,799	-
Trade payables to related parties	360,289	360,289	-	555,414	555,414	-
Bank overdraft	155,884	155,884	-	84,849	84,849	-
Total	3,033,581	2,836,370	197,211	2,555,872	2,361,696	194,176

Company

As at 31 March	2020			2019		
	Carrying amount	0-12 months	More than 1 year	Carrying amount	0-12 months	More than 1 year
	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's	Rs.000's
Financial liabilities (non derivatives)						
Long term borrowings	191,710	99,960	91,750	291,550	99,960	191,590
Lease liability	128,728	25,443	103,285	-	-	-
Interest bearing short term borrowings	1,258,591	1,258,591	-	882,738	882,738	-
Trade and other payable	686,140	686,140	-	575,428	575,428	-
Trade payables to related parties	362,331	362,331	-	584,248	584,248	-
Bank overdraft	128,729	128,729	-	42,583	42,583	-
Total	2,756,229	2,561,194	195,035	2,376,547	2,184,957	191,590

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

38.3 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.

38.3.1 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	2020		2019	
	USD	Euro	USD	Euro
Group				
Trade and other payables	(374,826)	(12,822)	(355,283)	(23)
Trade and other receivables	1,445,494	136,484	1,003,343	58,998
Cash and cash equivalents	267,895	952	426,122	3,915
Gross statement of financial position exposure	1,338,563	124,614	1,074,182	62,890
Company				
Trade and other payables	(364,106)	(12,822)	(355,283)	(23)
Trade and other receivables	1,409,699	74,376	668,929	20,320
Cash and cash equivalents	228,048	952	375,930	3,020
Gross statement of financial position exposure	1,273,641	62,506	689,576	23,317

The following significant exchange rates were applicable during the year:

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
USD	189.90	168.72	190.00	176.25
Euro	209.41	195.25	209.34	197.95

Sensitivity Analysis

A strengthening or weakening of the LKR, as indicated below, against the USD and Euro at 31 March 2020 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 2020		
USD (10% movement)	(25,433)	25,433
Euro (10% movement)	(2,609)	2,609
As at 31 March 2019		
USD (10% movement)	(18,932)	18,932
Euro (10% movement)	(1,245)	1,245
Company		
As at 31 March 2020		
USD (10% movement)	(24,199)	24,199
Euro (10% movement)	(1,309)	1,309
As at 31 March 2019		
USD (10% movement)	(12,154)	12,154
Euro (10% movement)	(462)	462

38.3.2 Interest rate risk

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

	Carrying amount			
	Group		Company	
As at 31 March	**2020 Rs.000's**	**2019 Rs.000's**	**2020 Rs.000's**	**2019 Rs.000's**
Fixed rate instruments				
Financial assets				
Related party receivables - subsidiaries	-	-	45,809	65,683
Financial liabilities				
Related party payables - subsidiaries	-	-	-	-
Lease liability	(129,523)	(1,032)	(128,728)	-
	(129,523)	(1,032)	(82,919)	65,683
Variable rate instruments				
Financial assets				
RFC deposits	51,099	75,879	43,528	66,855
Short term deposits	-	196,091	-	-
Financial liabilities				
Long term borrowings	(194,448)	(295,040)	(191,710)	(291,550)
Interest bearing short term loan to related parties	(215,586)	(120,178)	(215,586)	(120,178)
Bank overdrafts	(155,884)	(84,849)	(128,729)	(42,583)
Short term money market borrowings	(1,403,591)	(974,738)	(1,258,591)	(882,738)
	(1,918,410)	(1,202,835)	(1,751,088)	(1,270,194)

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	**2020 Profit or Loss Rs.000's**	**2019 Profit or Loss Rs.000's**
Group		
Variable rate instruments (1% decrease)	19,184	10,827
Variable rate instruments (1% increase)	(19,184)	(10,827)
Company		
Variable rate instruments (1% decrease)	17,511	11,500
Variable rate instruments (1% increase)	(17,511)	(11,500)

38.4 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.

38.5 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	**2020 Rs.000's**	**2019 Rs.000's**	**2020 Rs.000's**	**2019 Rs.000's**
Total liabilities	3,316,432	2,792,951	2,916,424	2,499,223
Less:				
Cash and cash equivalents	(75,895)	(295,757)	(24,138)	(83,492)
Net debts	3,240,537	2,497,194	2,892,286	2,415,731
Total equity	2,371,902	2,597,763	2,389,466	2,531,471
Net debt to equity ratio	1.37	0.96	1.21	0.95

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.

38.6 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 financial assets and liabilities not measured at fair value as the carrying amount is a reasonable approximation of fair value, other than below:

Fair value measurement for non financial asset

The following table analyses nonfinancial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position. The fair value include any differences between the transaction price and the fair value on initial recognition when the fair value is based on evaluation technique that uses unobservable inputs:

Group	Level I		Level II		Level III		Total	
As at 31 March	2020 Rs. 000's	2019 Rs. 000's	2020 Rs. 000's	2019 Rs. 000's	2020 Rs. 000's	2019 Rs. 000's	2020 Rs. 000's	2019 Rs. 000's
Non financial assets								
Freehold land	-	-	-	-	742,000	742,000	742,000	742,000
	-	-	-	-	742,000	742,000	742,000	742,000

Company	Level I		Level II		Level III		Total	
As at 31 March	2020 Rs. 000's	2019 Rs. 000's	2020 Rs. 000's	2019 Rs. 000's	2020 Rs. 000's	2019 Rs. 000's	2020 Rs. 000's	2019 Rs. 000's
Non financial assets								
Freehold land	-	-	-	-	170,000	170,000	170,000	170,000
	-	-	-	-	170,000	170,000	170,000	170,000

a) Level 3 fair value measurement

Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Group		Company	
	2020 Rs.000's	2019 Rs.000's	2020 Rs.000's	2019 Rs.000's
Balance at the beginning of the year	742,000	296,968	170,000	82,968
Addition/ revaluation during the year	-	445,032	-	87,032
Disposal during the year	-	-	-	-
Impairment	-	-	-	-
Balance at the end of the year	742,000	742,000	170,000	170,000

As per the valuation carried out on 31 March 2019, by an independent professional valuer Mr. K. T. D. Tissera, J. P. U. M., Diploma in Valuation (Sri Lanka), F. R. I. C. S.(Eng.), F. I. V. (Sri Lanka), Chartered Valuation Surveyor. These properties were valued on an open market value for existing use basis.

b) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the freehold property mentioned above, as well as the significant unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter - relationship between significant unobservable inputs and fair value measurement
Market comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property in this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for, since the price may not reflect the fair market value.	Price per perch for land Price per square foot	Estimated fair value would increase/ (decrease) if, Price per perch increases/ (decreases) Price per square foot increases/ (decreases)

TEN YEAR HISTORICAL SUMMARY

Year	2011 (Rs.'000)	2012 (Rs.'000)	2013 (Rs.'000)	2014 (Rs.'000)	2015 (Rs.'000)	2016 (Rs.'000)	2017 (Rs.'000)	2018 (Rs.'000)	2019 (Rs.'000)	2020 (Rs.'000)
	31 March									
OPERATING RESULTS										
Revenue	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	8,593,307
Results from operating activities	415,428	588,635	306,936	374,629	326,484	409,788	416,439	373,957	394,777	137,986
Net financing costs	(64,987)	(77,604)	(58,836)	(62,146)	(52,711)	(7,865)	(67,371)	(96,728)	(110,952)	(124,793)
Share of joint venture's profit/(loss)	-	-	-	-	-	-	-	(20,697)	46,659	7,963
Profit before taxation	350,441	501,771	248,100	312,483	273,773	401,923	349,068	256,532	330,484	21,156
Income tax expense	(94,232)	(115,972)	(84,587)	(103,154)	(94,318)	(123,401)	(111,937)	(86,685)	(114,014)	(99,125)
Profit after tax	256,209	385,799	163,513	209,329	179,455	278,522	237,131	169,847	216,470	(77,969)
Other comprehensive income	-	(483)	595	2,355	(8,649)	6,606	10,056	(20,141)	392,163	(23,858)
Total comprehensive income	256,209	385,316	164,108	211,684	170,806	285,128	247,187	149,706	608,633	(101,827)
Non-controlling interests	1,592	1,777	1,562	1,171	(9,863)	(6,466)	978	668	21,511	(3,111)
Total comprehensive income-equity holders	254,617	383,539	162,546	210,513	180,669	291,594	246,209	149,038	587,122	(98,716)
FINANCIAL POSITION										
Assets										
Non-current assets	785,969	853,776	852,228	886,279	880,463	864,854	812,094	1,308,390	1,920,305	2,204,003
Current assets	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	3,827,782
Total assets	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	6,031,785
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	8,734	8,734	8,734	8,734	8,734	8,734	8,734	8,734	368,162	368,162
Revenue reserves	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	1,496,693
Available-for-sale reserve	1,172	1,014	1,115	1,094	1,236	-	-	-	-	-
Equity attributable to equity holders of the Company	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	2,371,902
Non-controlling interests	26,620	28,397	29,817	46,190	34,615	28,031	29,009	323,866	345,377	343,451
Total equity	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	2,715,353
Non-current liabilities	205,572	185,157	159,093	150,545	122,473	92,038	78,684	124,287	373,245	411,682
Current liabilities	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	2,904,750
Total equity and liabilities	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	6,031,785
RATIOS										
Basic earnings per share (Rupees)	7.12	10.72	4.54	5.82	4.99	7.74	6.57	4.68	5.65	(2.10)
Revenue growth rate (%)	101.5%	4.1%	-21.2%	-4.0%	3.7%	3.2%	12.4%	12.2%	-2.3%	-13.4%
Net profit ratio (%)	2.7%	4.0%	2.1%	2.9%	2.4%	3.5%	2.7%	1.7%	2.2%	-0.9%
Current ratio (1:)	1.43	1.58	1.90	1.75	1.94	1.83	1.76	1.53	1.58	1.32
Net asset per share (Rupees)	34.00	42.66	46.18	49.03	51.05	56.09	59.43	59.37	72.18	65.91
Net return on assets (%)	8.5%	11.8%	5.5%	6.2%	5.6%	7.6%	5.7%	3.4%	3.8%	-1.3%
Net return on capital employed (%)	28.5%	33.7%	16.6%	19.1%	16.4%	19.2%	18.5%	13.7%	13.3%	4.7%
Assets turnover ratio (1:)	3.80	3.08	2.45	2.31	2.31	2.29	2.26	2.18	1.81	1.56
Dividends per share (Rupees)	1.00	2.00	1.00	3.00	3.00	3.00	3.50	3.50	3.50	3.50
Dividend payout ratio (%)	14%	19%	22%	52%	60%	39%	53%	75%	62%	-167%

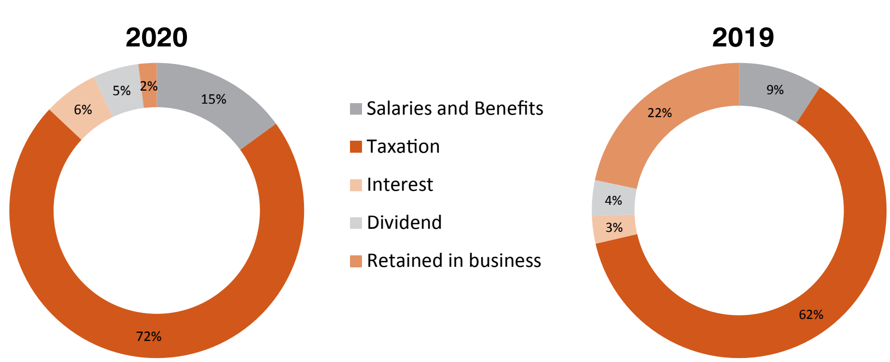
CONSOLIDATED STATEMENT OF VALUE ADDED

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	2020 Rs. Mn	2019 Rs. Mn
Value added		
Sales made to external customers	8,593.3	9,695.3
Less: material and services bought in from outside	(6,494.7)	(6,596.6)
	2,098.6	3,098.7
Add: other income	151.5	164.1
Total value added available for distribution	2,250.1	3,262.8

		2020 Rs. Mn	%		2019 Rs. Mn	%
Distribution of value added						
To employees						
- Wages, salaries and benefits		331.5	14.7		299.9	9.2
Taxation to Government						
- Import duties and VAT/NBT	1,453.7			1,843.8		
- Export duties	12.8			16.2		
- Income tax	101.7			111.6		
- Economic Service Charge	46.2	1,614.4	71.7	49.7	2,021.3	61.9
To lenders						
- Interest		137.1	6.1		112.3	3.4
Providers of equity capital						
- Dividends		126.0	5.6		126.0	3.9
Retained in business						
- Depreciation on fixed assets	139.8			116.2		
- Retained earnings	(98.7)	41.1	1.9	587.1	703.3	21.6
Total value added distributed		2,250.1	100.0		3,262.8	100.0
No. of employees in Group		549			543	
Value added per employee (Rs' 000)		4,099			6,009	



INVESTOR INFORMATION

FINANCIAL CALENDAR

Ninety Seventh Annual General Meeting	- 27 June 2019
Interim Reports	
First Quarterly Report	
3 months to 30 June 2019	- 1 August 2019
Second Quarterly Report	
6 months to 30 September 2019	- 30 October 2019
Third Quarterly Report	
9 months to 31 December 2019	- 29 January 2020
Fourth Quarterly Report	
12 months to 31 March 2020	- 28 May 2020
Annual Report - Financial Year 2019/20	- 31 August 2020
Ninety Eighth Annual General Meeting	- 24 September 2020

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

As at 31 March	2020			2019		
Holdings (Shares)	No. of Holders	Total Shares	Holders %	No. of Holders	Total Shares	Holders %
1 - 1,000	1,699	334,557	0.94	1,707	353,551	0.98
1,001 - 10,000	225	740,663	2.07	218	722,641	2.00
10,001 - 100,000	45	1,387,193	3.82	44	1,269,540	3.53
100,001 - 1,000,000	8	2,843,757	7.90	9	2,960,438	8.23
Over - 1,000,000	4	30,682,386	85.27	4	30,682,386	85.26
	1,981	35,988,556	100.00	1,982	35,988,556	100.00

INVESTOR INFORMATION (Contd.)

TWENTY LARGEST SHAREHOLDERS

	As at 31 March	2020		2019	
	Name of Shareholder	No. of Shares (Voting)	%	No. of Shares (Voting)	%
1	Lankem Ceylon PLC	18,137,526	50.40	18,137,526	50.40
2	Seylan Bank PLC/Senthilverl Holdings (Pvt) Limited	8,983,000	24.96	N/A	N/A
	(Seylan Bank PLC/Dr. T. Senthilverl)	N/A	N/A	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) Limited	950,000	2.64	950,000	2.64
6	Amana Bank PLC	858,500	2.39	932,541	2.59
7	Corporate Holdings (Pvt) Limited Account No. 1	238,341	0.66	238,341	0.66
8	People's Leasing and Finance PLC/L. P. Hapangama	191,204	0.53	154,716	0.43
9	Harnam Holdings SDN BHD	155,872	0.43	135,000	0.38
10	Mr. P. P. Anandarajah	155,100	0.43	155,100	0.43
11	Mr. M. A. Lukmanjee	155,000	0.43	155,000	0.43
12	Employees Provident Fund	139,740	0.39	139,740	0.39
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	69,006	0.19	68,250	0.19
16	Mr. Z. G. Carimjee	60,200	0.17	60,200	0.17
17	Deutsche Bank AG Singapore Account No. 2	60,018	0.17	-	-
18	Union Investments (Private) Limited	60,000	0.17	60,000	0.17
19	People's Leasing and Finance PLC/Dr. H. S. D. Soysa and Mrs. G. Soysa	59,853	0.17	32,650	0.09
20	People's Leasing and Finance PLC/L. H. L. M. P. Haradasa	59,303	0.16	24,400	0.06

CATEGORIES OF SHAREHOLDERS

As at 31 March	2020			2019		
Categories	No. of Holders	Share Holding	Total %	No. of Holders	Share Holding	Total %
Individuals	1,887	2,210,311	6.14	1,886	2,092,342	5.81
Institutions	94	33,778,245	93.86	96	33,896,214	94.19
	1,981	35,988,556	100.00	1,982	35,988,556	100.00
Public	1,968	3,963,990	11.01	1,969	3,963,990	11.01

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Ninety Eighth Annual General Meeting of **C. W. Mackie PLC** will be held at the Auditorium, Sri Lanka Foundation, No.100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 7 on Thursday, 24 September 2020 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 2020 with the Report of the Auditors thereon.

2. To approve the re-appointment of Mr. K. T. A. Mangala Perera, who retires by rotation in terms of Article 89 of the Articles of Association as a Director of the Company.

3. 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. *

4. To approve the re-appointment of Deshabandu A. M. de S. Jayaratne, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company. **

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
31 August 2020

NOTICE OF MEETING (Contd.)

Note A:

* A Notice dated 24 August 2020 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. 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 three years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. William Tissa Ellawala."

** A Notice dated 24 August 2020 has been received by the Company from a shareholder of the Company giving notice of intention to move the undernoted resolution with regard to the approval of the re-appointment of Deshabandu A. M. de S. Jayaratne as a Director of the Company under and in terms of Section 211 of the Companies Act No.7 of 2007:
"That Deshabandu Ajit Mahendra de Silva Jayaratne who is eighty years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Deshabandu Ajit Mahendra de Silva Jayaratne."

*** A Notice dated 24 August 2020 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 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 Mr. Ranjit Crisantha Peries."

**** A Notice dated 24 August 2020 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 Senerath Amarasuriya who is seventy six years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. Hemaka Devapriya Senerath Amarasuriya."

***** A Notice dated 24 August 2020 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 four years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Dr. Thirugnanasambandar Senthilverl."

(i) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote on his behalf.

(ii) A Proxy need not be a member of the Company.

(iii) A Form of Proxy is enclosed for this purpose.

(iv) The instrument appointing the Proxy must be deposited at the Registered Office of the Company, No. 36, D. R. Wijewardena Mawatha, Colombo 10 before 2.30 p.m. on 22 September 2020.

Note B:

1. HEALTH AND SAFETY

The Annual General Meeting will be held in compliance with the health and safety guidelines issued by the Ministry of Health and Indigenous Medical Services (Ministry of Health) and standards imposed by Sri Lanka Foundation to ensure the safety and well-being of all attendees. In compliance therewith:

- all attendees are required to undergo a temperature check and sign a declaration form indicating contact details, historical and current health status, recent overseas travel history and exposure, if any.
- persons who record temperatures in excess of norms prescribed by the Ministry of Health will not be permitted into the meeting.
- persons with respiratory infections of any type, including cough, cold, sore throat, shortness of breath or exhibiting any other similar symptoms will not be permitted into the meeting.
- physical contact, such as shaking hands, will not be permitted and attendees will not be permitted to linger or remain after the conclusion of the meeting.
- any person not adhering to the health and safety guidelines and standards, including wearing a mask and maintaining the minimum social distance required, will be requested to leave the meeting.
- food and beverage offerings are not guaranteed and may be limited in keeping with health and safety standards and regulations.
- as social distancing measures will be implemented, once the hall capacity is reached as per the relevant regulatory guidelines, members may not be permitted to enter.

2. VOTING

Health and well-being of members is paramount and members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf by duly completing the Form of Proxy in accordance with the instructions given.

3. ATTENDING THE MEETING

Should a member wish to attend the meeting in person or through a Proxy (who is not a Director of the Company), such member or their Proxy is requested to:

- complete and return the Pre-registration Form;
- arrive early in order to register, carry out mandatory health checks and fill in the required forms and avoid crowding
- wear a suitable face mask; and
- co-operate with the health and safety measures to be implemented by the Company as outlined in 1. above.

Members and/or their Proxies are requested not to attend the meeting if they are feeling unwell, exhibiting any signs or symptoms of COVID-19 or have been placed on quarantine or a stay-at-home notice.

In the event the Company is required to take any further action in relation to the meeting, in the best interest of the attendees due to the COVID-19 pandemic and/or any communications, guidelines, directives or orders issued by the Government of Sri Lanka/ Ministry of Health, notice of such action shall be communicated to members through an announcement in the newspapers.

NOTES

FORM OF PROXY

I/We……of

……being a member/members of

C. W. Mackie PLC hereby appoint………of

……or failing him/her

William Tissa Ellawala	or failing him
Camani Renuka Ranasinghe	or failing her
Ajit Mahendra de Silva Jayaratne	or failing him
Ranjit Crisantha Peries	or failing him
Anushman Rajaratnam	or failing him
Sri Dhaman Rajendram Arudpragasam	or failing him
Thirugnanasambandar Senthilverl	or failing him
Hemaka Devapriya Senerath 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 Eighth Annual General Meeting of the Company to be held on Thursday, 24 September 2020 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 2020 with the Report of the Auditors thereon.		
2.	To approve the re-appointment of Mr. K. T. A. Mangala Perera, who retires by rotation in terms of Article 89 of the Articles of Association as a Director of the Company.		
3.	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.		
4.	To approve the re-appointment of Deshabandu A. M. de S. Jayaratne, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company.		
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.		

Signed this ………………. day of ………………………2020.

……………………………………………………… ………………………………………………………

NIC/Passport No. / Company Registration No. 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 22 September 2020 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

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

T. A. P. Silva *(upto 30 June 2020)*
Chief Operating Officer -
Consumer Products Manufacturing

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
Director/General Manager -
Ceymac Rubber Company Limited

Design & Printed by:
Softwave Printing & Packaging (Pvt) Ltd.

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

www.cwmackie.com