

Annual Report 2022/23



C. W. MACKIE PLC



An Inspiring History
An Aspiring Future



C. W. MACKIE PLC

An Inspiring History... An Aspiring Future

The saga of C. W. Mackie PLC began over 120 years ago. Today, as we reflect on our history and development we realise that the journey has been nothing short of inspirational. Every step has been guided by strategy and farsightedness. This in turn has allowed the Company to invest prudently in a multitude of sectors that have today positioned itself as one of Sri Lanka's most diversified conglomerates. That we are highly successful at what we do, is borne out by the fact that the Company has enjoyed its best year ever. The future then, can only be one of even greater aspirations of creating and delivering value to all stakeholders.

Contents



Chairman/Chief Executive Officer's Review 04



Group Overview 09

2.1 Our Vision, Mission, and Values	10
2.2 2022/23 Calendar	11
2.3 Our Journey	12
2.4 Group Structure	13
2.5 The Six-fold Sustainable Model	14
2.6 Highlights of the Year	18
2.7 Board of Directors	21
2.8 Group Management	24



Business Review 27

3.1 FMCG Cluster	28
3.2 Industrial Products Cluster	38
3.3 Commodity Trading Cluster	42



Governance and Risk 63

5.1 Annual Report of the Board of Directors	64
5.2 Statement of Directors' Responsibility	68
5.3 Corporate Governance	69
5.4 Risk Management	74
5.5 Report of the Audit Committee	77
5.6 Report of the Related Party Transactions Committee	78
5.7 Report of the Remuneration Committee	79
5.8 Report of the Nomination Committee	80



Financial Reports 81

6.1 Independent Auditor's Report	82
6.2 Statement of Profit or Loss and Other Comprehensive Income	86
6.3 Statement of Financial Position	87
6.4 Statement of Changes in Equity	88
6.5 Statement of Cash Flows	90
6.6 Notes to the Financial Statements	91



Supplementary Information 147

7.1 Ten Year Summary	148
7.2 Consolidated Statement of Value Added	150
7.3 Investor Information	152
7.4 Glossary of Financial Terms	154
7.5 Notice of Annual General Meeting	150
Form of Proxy	Enclosed
Corporate Information	Inner back cover



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04

Sustainability/ ESG Review 46

4.1 Financial Capital	47
4.2 Human Capital	53
4.3 Social and Community Capital	56
4.4 Intellectual Capital	59
4.5 Manufactured Capital	62



Having celebrated a significant milestone in governance and reporting during the previous fiscal year with the publication of our centenary annual report, C. W. Mackie PLC wished to mark the start of a new century of operation by visually reflecting our identity as a resilient, and evolving conglomerate. While the brands we manufacture and trade have thrived and evolved in their individual identities, C. W. Mackie PLC's growth and evolution as a corporate entity too, necessitated its own showcase.

We introduced a new logo, carefully preserving the essence of our much-loved and respected monogram anchored to a more than 100-year heritage associated with trust and excellence. The new circular shape reflects our continuous evolution and the synergistic nature of our

diversified business, while the bold red colour signifies our strength and passion to relentlessly progress in our journey of excellence. The lettermark below the monogram transitioned into a modern, bolder and more pronounced typeface, to further underscore our brand transition over the past century, to become the much respected and equally relevant corporate we are today.

The new C. W. Mackie PLC logo, now prominently used across our corporate branding material and communication channels with positive reception from our stakeholders, has successfully captured our aspirations to leverage the depth and breadth of our expertise in the trading business, and go from strength to strength as we fearlessly step into uncharted territory, limitless in our growth potential.



C. W. MACKIE PLC



C. W. MACKIE PLC

1.1

Chairman/Chief Executive Officer's Review

“Parent Company and all subsidiaries reported substantial growth year on year while increase in gross margins were commensurate with revenue growth.”

Dear Shareholders,

Preamble >

The financial year under review was accompanied by turbulence hitherto not witnessed in the post independent history of Sri Lanka. The country and its people faced severe economic hardships, widespread anxiety and political upheaval from unknown sectors. The resulting drawback was a -7.8% contraction of the economy in real GDP, compared with an expansion of +3.5% in the prior year (2021/22).

Meanwhile, the current forecast for 2023/24 sees a further contraction before real growth can be recorded. Through this uncertainty, the resilient business sector held firm to prevent a major crisis. Traditional private sector institutions retained its employee cadre preventing a disconnect in the ranks of the working population. Contraction of the economy this first quarter heightened, signaling that recovery may perhaps take longer than anticipated.

We have an experienced and dedicated top management team that is poised to steer the corporate through its next 3 year growth phase driving this multifaceted structure with skill and aplomb.

Financial results – Group >

The best results reported in over 100 years in the lifetime of C. W. Mackie PLC. Revenue leaped by 46% to Rs. 19.2 billion. Likewise gross profit moved up from Rs. 2.0 to 3.9 billion, a growth of 97%.

Revenue analysis by Group Companies >

	Year ended 31 March 2023 Rs. million	Year ended 31 March 2022 Rs. million
C. W. Mackie PLC	17,478	12,086
Ceymac Rubber Company Limited	1,594	937
Ceytra (Private) Limited	147	69
Kelani Valley Canneries Limited	400	301
Consolidation Eliminations	(412)	(232)
	19,207	13,163

As shown above, Parent Company and all subsidiaries reported substantial growth year on year while increase in gross margins were commensurate with revenue growth.

Sectoral wise breakdown of revenue makes interesting reading, indicating the diversified versatility of operations.

	Year ended 31 March 2023 Rs. million	Year ended 31 March 2022 Rs. million
Commodity Trading	7,198	5,518
Rubber Based Manufacturing	1,682	986
Industrial Trading	1,932	1,597
Marine Services	873	499
FMCG (Food and Beverage)	7,521	4,562
	19,207	13,163

Commodity trading was helped by Rupee devaluation. FMCG led by an impressive array of market leader brands such as “Sunquick”, “Jumbo Peanuts” and “Scan” gained market share. Rubber based manufacturing responded to increase in tyre sector orders via productivity gains from reconditioning of plant and machinery. Industrial trading shone at first, but slowed down with the easing of industrial activity as the year progressed.

A regular flow of orders from the drydocks ensured continuous demand for marine paints for completion of Sri Lankan built ship freighters.

Export ➤

It was a good year for exports. Our volumes grew while the currency favoured pricing gains. Export turnover direct and indirect added upto Rs. 4.0 billion representing 20% of total revenue.

Exports of non-traditional products such as “Sunquick” fruit drinks for the “Asia Pacific” market commenced via CO-RO as our joint venture partner Company from Denmark selecting us as their distributor. With hopeful endorsement of the Free Trade Agreement with Bangladesh, and interest shown from diverse markets in China and Canada, all these augers well for the continuity of growth of our export market.

We feel it is the business sector's responsibility to focus on exports to mitigate our country's serial trade deficit. Our response is to set up a challenging target of 30% of total revenue vs 20% today as the short term response.

From import to exports ➤

Scan brand, the star amongst our range of market leader brands introduced jumbo peanuts as a first mover snack item in 1996. Since then, jumbo peanuts has caught the fancy of the nation and is an ideal companion on long trips. As volumes grew exponentially, C. W. Mackie PLC along with the Ministry of Agriculture, initiated a project to cultivate and pack the product locally. Agriculture Sector Modernization Project (ASMP) supported us, while funding by World Bank and European Union, initiating a seed multiplication project which led to the initial pilot cultivation in Moneragala with the support of the Agri Research Centre, Angunakolapellesa in 5 acres of land, followed by two more farmer clusters in Killinochchi and Mullaitivu. Now it was time to build a snack processing plant and this came up at the C. W. Mackie PLC industrial hub at Horana in October 2021. The project is now completed and is a model example of how the private and public sectors can work in hand with the local community supported by international aid agencies to develop the rural hinterland. What remains is to develop an export market for peanuts in the near future and testing will be prioritised before implementation by 2024.

Business expansion ➤

With a view to dominating the future food and beverage market across the nation we have further expanded our manufacturing base of yesteryear.

Sunquick RTD Plant ➤

With growing markets at home and abroad we set up a 49% owned modern state of the art Sunquick Ready-to-Drink (RTD) manufacturing plant with our long-term joint venture partner CO-RO A/S, Denmark. In addition to abiding with latest European technology this partnership provides us a strategic advantage of priority distribution in global markets, mainly in Asia Pacific and beyond.

Currently we run the successful 125ml SKU with another line ready for a demand model as the business expands which could be aimed at the sports market or otherwise. The new plant is right next to the market leading concentrates plant in Horana, now enjoying a 70% market share. The RTD market is evolving around modern lifestyle trends, targeted to the youth and kids categories.

By catering to all age categories our research shows that we will continue our dominance in the fruit drinks market.

Expansion of snacks ➤

To join jumbo peanuts we commenced the manufacture of a family of snack products ranging from cassava chips, fried dhal, buddy peanuts and mixture bites under the trusted “Scan” name. These products give both depth and range for providing a variety of snacks at affordable prices. You will hear more about these “start ups” in our next report.

Delish brand ➤

Delish is another home spun proprietary brand known for its jelly crystals, gelatine, icing sugar and butter cake mix a delight for the Sri Lankan housewife. Delish is under SLS Certification and is a rising star with potential for future expansion in home and global markets.

Subsidiary companies and joint venture ➤

Scan Products Division

Once a subsidiary and latterly a strategic business unit (SBU) this brand appears to be better known than the brand corporate. “Scan” has a massive touchpoint (sales points) of 80,000 outlets. There is still room for further expansion which will be executed gradually to prevent overheating of this massive network. Scan contributes 41% of total revenue and is also the distributor for subsidiary Kelani Valley Canneries Limited and SBU Delish and is on a revenue budget of Rs. 9.0 billion for 2023/24. Scan is also our barometer to the consumer market and won the Company Innovations Award for the year for adding a new lineup of manufactured snacks.

Kelani Valley Canneries Limited (KVC)

The Company was acquired in 2014 to supplement C. W. Mackie PLC's growing food and beverage offer but has yet to live upto expectations. We kept our promise to expand capacity from 95,000 kgs. to 125,000 kgs. (by 32%). Revenue too grew likewise by 33%. This sharp growth could not be reciprocated by a turnaround in the profit line due to high inflationary trends which could not be compensated by pricing action due to declining consumer buying power. Revenue continues to grow at around the same pace as prior year giving credence to a long awaited turnaround.

Corrective action is been taken to:

- (a) manufacture most outsourced products internally,
- (b) return to exports of firstly bottled coconut water followed by fruit nectar, and
- (c) close control of raw material purchases via method changes to contain cost.

Ceymac Rubber Company Limited

Caymac ended a marvellous year with a revenue of Rs.1.6 billion and a profit before tax of Rs. 201 million. Ceymac appeared to be the preferred supplier for local tyre manufacturers (mainly multinationals operating out of Sri Lanka) and our quality of TSR was superior. Strategic buying of rubber scrap when prices were low helped boost profit. Also reconditioning of plant and machinery enabled us to honour timely deliveries leading upto quick repeat orders. Ceymac won the Company Award as the highest % profit growth subsidiary in the Group.

Ceytra (Private) Limited

While the local order book grew, revenue was not adequate to compensate for low export orders. Our Industrial Products Division is synergising to help bring customers from their order book into Ceytra.

As the Industrial Products Division moves into selling fenders mainly for the marine sector, Ceytra is expected to follow suit and develop the smaller sized rubber fenders taking advantage of the emerging market for smaller freighters and marinas.

Sunquick Lanka Properties (Private) Limited

The Company owns the land and building on which Sunquick Lanka (Private) Limited is situated and reversed the prior year's loss. Its main source of revenue is the rent paid by its sister company.

Sugar Division

This is the 3rd highest revenue earner with 18% share, behind Scan and Export Division. Despite been hampered by shortage of US Dollars, Sugar Division finished strongly, belying negative predictions.

By increasing the volume of caster sugar availability to their customer base of milk food manufacturers, Sugar Division is poised for strong future growth.

Hempel Paints Division

Continues to be a consistent and reliable income generator for the Group. Most of the locally built freighters use Hempel as preferred brand for finishes and repairs and now the State Trading Corporation, Maldives too will do the same.

Hempel products are also used inland for finishing factory complexes, warehouses, bridges and other ironworks by both the private and Government sectors and recorded the highest percentage growth among the Group amidst strong competition.

By supplying paint to finish freighters for "Misje" carrying the Norwegian flag in international waters, Hempel won the Company's 2nd Innovation Award of the year.

Lightweight Machinery and Welding Electrodes/Refrigeration and Air-Conditioning Divisions

These respective Group SBU's represent our connectivity with the industrial and manufacturing sectors of the economy. This is the 2nd largest cluster of Divisions in the Group with a customer base that services many industrial giants, providing light weight machinery, welding electrodes, refrigeration and air-conditioning units, special projects such as private industrial estates, copper tubing and refrigerant gases including our house brand.

We are poised to support the next wave of industrial growth and serve as a "one-stop shop" for most industrial investments.

Due to slow down of the economy many "back to back" projects are delayed by investors. As normalcy returns we expect orders to be fulfilled while taking pressure off our growing inventories. Despite these setbacks the cluster's profit was over budget by 59% wondering what it could have been, if conditions remained as before.

All above subsidiaries, associates and SBUs performed magnificently in turbulent conditions, and my thanks and that of the Board for delivering against strong headwinds not seen before in recent times.

Staff development programme

As we search for continuous growth, the need to modernise staff training and development responsibility to face the challenges and competitiveness that will accompany a business revival of the future is imperative.

With this criteria, we have engaged a reputed outside consultancy for a "Peoples Leadership Development Program" identifying that strong leadership will be the foremost criteria in taking C. W. Mackie PLC to the next level of accomplishment.

Four levels of action has stood out and was identified. These are:

- synergising with "fellow travelers" ("Teaming"),
- recognising importance of empathy and clarity in communications,
- reviewing results timely and applying prompt correcting action on the run,
- creating new business value for the corporate, via new projects, products and ideas.

The process will begin with the Heads of Divisions and spiral down to Assistant Managers and Executives leading upto a Master Batch that can co-ordinate with each step of business growth while mastering key corporate strategy.

Great place to work

Our joint venture company Sunquick Lanka (Private) Limited, manufacturers of market leader "Sunquick" has met the global assessment standards to be certified as a "Great Place to Work" for the third consecutive year. Let Sunquick be an inspiration for other Group Companies to follow.

Finance ➤

Coping with the fluctuation in the value of Rupee *vis-à-vis* the Dollar has been one of our major challenges, particularly as we are focusing on our operations with mixed contributions from inland trade, commodity trading and exports. While inland trade has been our forte, we have had longest experience in commodity trading such as rubber, coconut-bi-products, spices and sugar. Our focus is now shifting towards exports in the food and beverage category. During the middle of this period realization dawned on the business sector that we need export Dollars to import and hopefully this has a salutary impact on all and sundry, mainly importers going forward.

Interest rates did not quite decline as expected and hit the heart of the nation, as SME's struggled through unpaid debts and bankruptcy, though the moratorium on debts helped for a brief and fleeting moment but was not the complete solution.

Despite growth in inventories by Rs. 932 million and trade and other receivables by Rs. 439 million net cash flows from operating activities improved by a healthy Rs. 417 million. There was a sharp increase in inventories year on year and one reason is the back to back orders for projects which delayed to be implemented due to an economy in recession. These orders are now being honoured during the current year by valued customers.

The sensitivity area of the Statement of Financial Position lies in inventories and trade and other receivables which add upto 70% of total assets. As per audit requirements 2% of such current assets are provisioned. The management will be striving to convert these to cash as the current emphasis is on strengthening cash flows.

Digitalization ➤

It is imperative that digitalisation has to be our priority to manage the continuous sharp growth in revenue and current assets to keep our progression on track.

Our well-equipped warehouse in Siyambalape now boosts 47,000 square feet of storage at 4,000 pallet positions, in a comprehensively digitalised automated environment that can separately store a multiplicity of products under specific temperature-controlled environment.

To secure efficiency of one of the largest distribution networks in this island republic, a cloud base real time authorised Sales Force Automation (SFA) was introduced in January 2022. This has now evolved to improve resource optimisation and operational efficiencies across 80,000 sales touchpoints spanning the length and breadth of the nation.

The comparative advantage is we can progressively extend the network without overheating operations to secure increased market share in the next growth phase.

To consolidate the advantage of digital technology we migrated to our new cloud-powered human resource information system (HRIS) in the previous year aimed at rewarding the employees and encouraging them to be in line with exponential growth.

Shareholders and dividends ➤

At the time of writing the share price has climbed up steadily to Rs. 94.20 per share. The Directors recommend to the shareholders a first and final dividend of Rs. 12/- per share amounting to Rs. 431,862,432/- out of the profits for year ended 31 March 2023 in line with the provisions of the Companies Act No. 7 of 2007. This year the proposed dividend will be subject to withholding tax.

Acknowledgements ►

There were a few significant changes in the directorate. Our longstanding Chairman/Chief Executive Officer, Mr. W. T. Ellawala retired after a distinguished career of 21 years covering the period from 18 July 2002 to 31 July 2022. His retirement will see a void in the directorate and his valuable experience in corporate craft will be missed. Mr. Ellawala joins a stellar lineage of past retired Chairman/CEO's among whom are the Hon. Karu Jayasuriya, Mr. P. A. Silva and Mr. S. T. L. de Zoysa. We wish him a happy retirement and good health. Among the newly appointed directors are Mr. C. P. R. Perera who was appointed on 16 November 2022.

As stated in last year's report Mr. Anura Edirisinghe, who heads C. W. Mackie PLC Group's Export Division was appointed as an Executive Director with effect from 1 April 2022 and continues to head the Export Division.

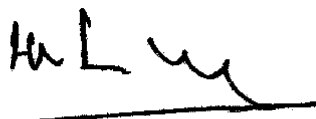
Dr. T. Senthilvel, who is the major minority shareholder of the Company actively participates in all deliberations of the Board and that of subsidiary, Kelani Valley Canneries Limited. His observations based on commercial experience has stood in good stead when making key decisions.

The rest of the Board, including our Executive Directors and those representing our Parent Company bring a rich blend of practical experience and keen business acumen to steer this Company through a futuristic growth phase in the life of the corporate.

As your new Chairman I am grateful to all of you for guiding me in my first year of baptism as Chairman.

We have an experienced and dedicated top management team that is poised to steer the corporate through its next 3 year growth phase driving this multifaceted structure with skills and aplomb. To the support service providers of varying skills and diversity they have retained the stability of the organisation through a dynamic growth phase of 3 years where revenue and profit grew exponentially along with shareholder wealth.

In conclusion we extend our sincere appreciation to our valued partners from Government Departments, Agriculture Ministry, valued trade and retail customers, distributors, bankers, dealers, importers, exporters, and consultants without whose ready support we would not have been able to negotiate this turbulent year with all time best results.



Sincerely,
Hemaka Amarasuriya
Chairman and Chief Executive Officer

3 July 2023



Group Overview

02

2.1	Our Vision, Mission, and Values	10
2.2	2022/23 Calendar	11
2.3	Our Journey	12
2.4	Group Structure	13
2.5	The Six-fold Sustainable Model	14
2.6	Highlights of the Year	18
2.7	Board of Directors	21
2.8	Group Management	24

2.1

Our Vision, Mission, and Values



Vision

To be recognised as a leading conglomerate in Sri Lanka



Mission

To provide market leadership products across all communities in Sri Lanka



Corporate Values

Integrity

We are committed to our word, in action and in thought.

Innovative

We strive to constantly develop new solutions with the help of modern technology.

Sharing and caring

We are eager to help others and are empathetic to their needs.

Sustainability

We implement strategies that would be socially responsible towards our community and our environment.

2.2

2022/23 Calendar

June 2022



Inaugurated commercial export operations of Sunquick Concentrate product category

July 2022



Partnership with Sri Lanka's leading plastic recycler Eco Spindles (Private) Limited, launched the "Recycle for the Future Generation" initiative to collect and recycle empty PET bottles

August 2022



Start the production of Scan Snack manufacturing plant with buddy peanuts

February 2023



Officially declared open Sunquick RTD Manufacturing Facility in Horana

March 2023



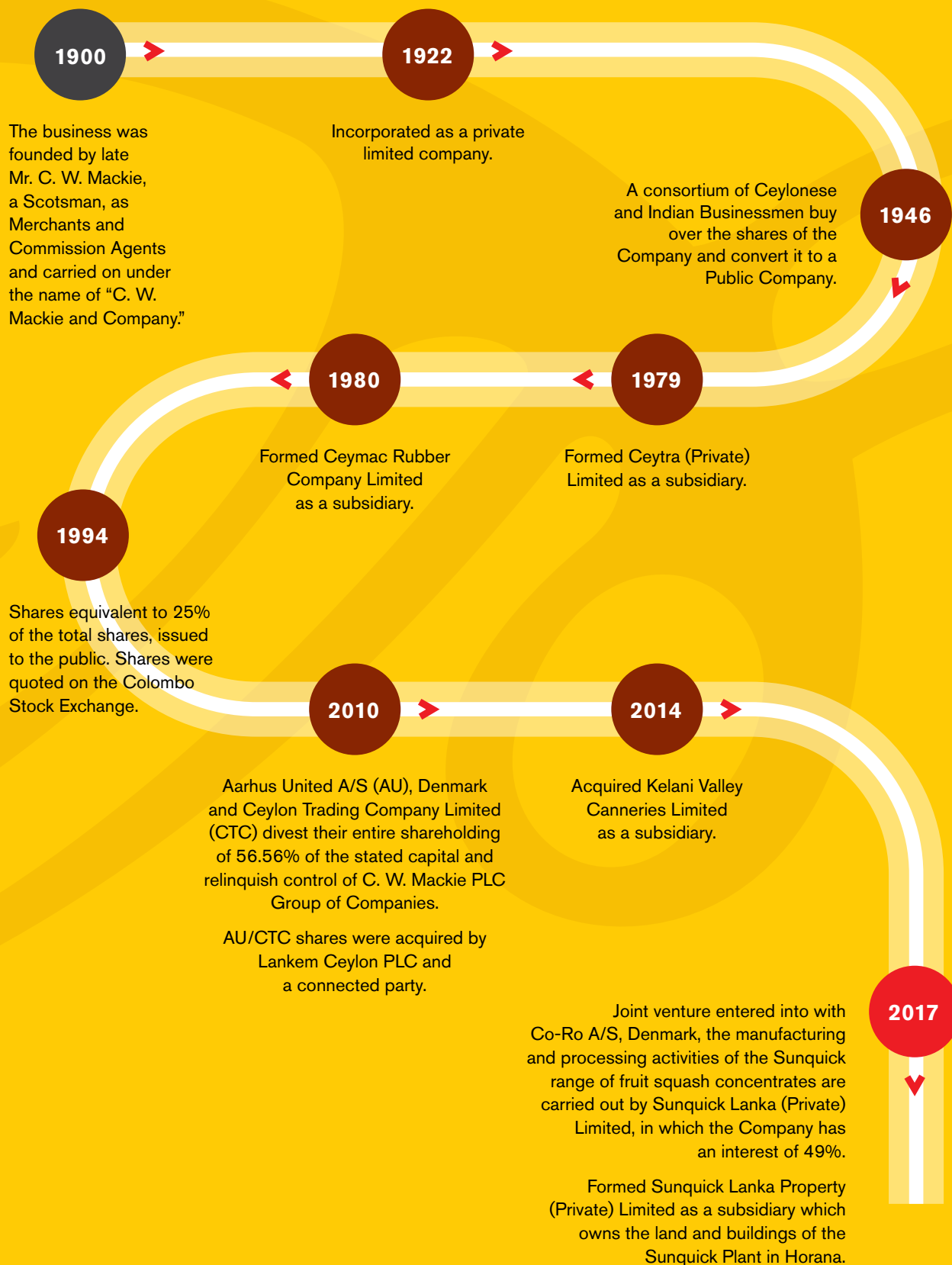
Implementation of Cloud-based Sales Force Automation System, having real-time information and real-time monitoring



Scan Snack range product launch

2.3

Our Journey



2.4

Group Structure

**C. W. MACKIE PLC**

Number of shares issued:
35,988,556

Stated capital:
Rs. 507,047,487

Export and sale locally thick pale crepe rubber (TPC), ribbed smoked sheet rubber (RSS), desiccated coconut, other coconut based products and spices;

Import and wholesale distribution of sugar to Business-to-Business customers;

Import and sale of lightweight machinery and welding electrodes and consumables, cutting and grinding wheels, rock drilling equipment/tools and earth moving machinery spare parts;

Import and sale of refrigeration and air-conditioning equipment, components, accessories, insulation materials, copper tubes, refrigerant gases and pipe supporting products;

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

Import, manufacture and distribution of branded FMCG products under food and beverage and personal and household care product categories;

bottling of drinking water, processing of jumbo peanuts and snacks under "Scan" brand for sale/distribution.

Parent Company

**Ceymac Rubber Company Limited**

Stated capital:
Rs. 36,450,000

Number of shares issued:
3,189,375

Group interest: **98.72%**

Manufacture, export and sell locally of technically specified rubber (TSR) and manufacture and export of plantation sole crepe rubber and sell TSR to local tyre manufacturers for supplying tyres to export markets.

**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.

Subsidiaries

**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%**

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

**Sunquick Lanka (Private) Limited**

Stated capital:
Rs. 628,244,900

Number of shares issued:
6,282,449

Group interest: **49%**

Bottling of "Sunquick" range of fruit squashes and Ready-to-Drink (RTD) fruit juices for export and locally sale/distribution by the joint venture partner C. W. Mackie PLC.

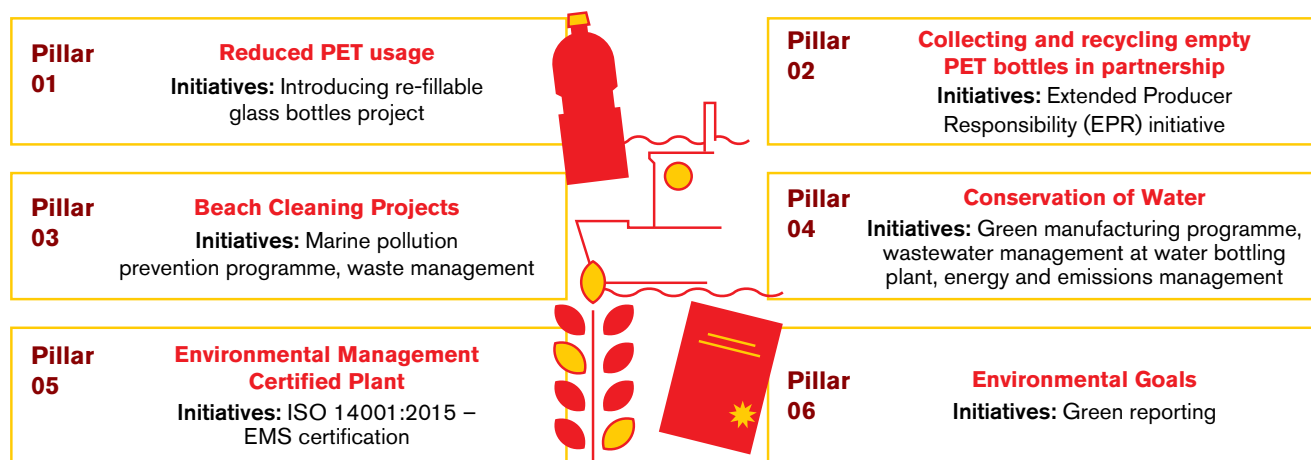
Joint venture

2.5

The Six-fold Sustainable Model

The Company launched its “Recycle for Future Generation” initiative that will focus on Six-fold Sustainable Model.

During the reporting period, the Company embarked on a more holistic approach to address existing and emerging environmental challenges that are more closely aligned with our business verticals. Our actions and initiatives may positively influence and mitigate their impact. With multiple products manufactured by the C. W. Mackie PLC FMCG Cluster, these initiatives were directed towards protecting and preserving natural resources. This led to the application of a Six-fold Sustainable Model which highlights identified material matters that are important to our stakeholders as well as to the sustainability of our business:



Introducing re-fillable glass bottles project ▶

The Company introduced re-fillable glass water bottles to the market, and successfully trailed the new packaging and collection process across a few select distribution channels. During the reporting period, the Scan bottle portfolio comprised 500 ml glass bottles that remained high in demand across multiple markets, which is actively looking to eradicate plastic waste to support sustainable tourism initiatives across the island, while reducing their own carbon footprints.

Recycle for the future generation ▶

The Scan Products Division in partnership with Sri Lanka's leading plastic recycler Eco Spindles (Private) Limited launched the “Recycle for the Future Generation” initiative in July 2022, to collect and recycle empty PET bottles as part of our commitment to minimise the environmental impact. As a long-established corporate with a legacy of contributing towards sustainable national development through our operations over the past century, this initiative highlights the Company's adoption of the Extended Producer Responsibility (EPR) policy.



Marine pollution prevention ▶

The initiative was a large-scale collaboration between the Company, the Marine Environment Protection Authority (MEPA), the Central Environment Authority (CEA), the Sri Lanka Police, and two environmental organisations—Clean Ocean Force and Wana Arana, and saw the participation of aspiring environmental enthusiasts lending a voluntary hand to clean up the coastal stretch.



Waste management ➤

C. W. Mackie PLC remains compliant with all regulatory requirements for responsible waste management and disposal across our operations, reducing or eliminating unsafe or excess materials through licensed recyclers. Our manufacturing facilities continue to upgrade and

optimise their processes in line with globally accepted sustainable production principles to ensure all possible actions are being taken towards reducing waste generated, as well as eliminating any environmental impact caused as a result. Waste material produced in the office is dealt with using a strategy that focuses on increasing the use of recycled and renewable materials, and the safe disposal of non-recyclable waste.

Manufacturing Facility	Nature of Production	Waste Management Initiatives
1. Scan Water Bottling Plant	Bottling of drinking water	<ol style="list-style-type: none"> 1. ISO 14001:2015 Environmental Management Systems (EMS) certified by the Sri Lanka Standards Institution (SLSI). 2. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 3. Continuous improvements in resource optimisation and waste reduction.
2. Delish Manufacturing and Processing Plant	Manufacturing of baking ingredients	<ol style="list-style-type: none"> 1. Polythene waste is removed by licensed parties for responsible recycling.
3. Scan Jumbo Peanut and Snack Manufacturing Facility	Processing and packaging of Scan Jumbo Peanuts and Snacks range	<ol style="list-style-type: none"> 1. Polythene waste is removed by licensed parties for responsible recycling.
4. Ceymac Rubber Company Limited	Manufacturing of rubber products	<ol style="list-style-type: none"> 1. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 2. Responsible recycling and disposal of chemicals and other components used during the rubber manufacturing process. 3. Continuously reduces and recycles solid waste. 4. Installation of a scrubber air pollution system to control the odour produced from the rubber manufacturing process. 5. Authorised and limited access to sealed warehouses that store chemicals and other hazardous components required for the manufacturing of rubber.
5. Sunquick Lanka (Private) Limited	Bottling of Sunquick range of fruit squashes and ready-to-drink (RTD) fruit juices	<ol style="list-style-type: none"> 1. ISO 14001:2015 Environmental Management Systems (EMS) certified by the Sri Lanka Standards Institution (SLSI). 2. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 3. Solid waste, glass and polythene waste is removed by licensed parties for responsible recycling.
6. Kelani Valley Canneries Limited (KVC)	Processing of fruits and vegetables	<ol style="list-style-type: none"> 1. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 2. Several pollution mitigation technologies and process controls have been successfully implemented across the facility. 3. Solid waste generated from fruit and vegetable products is removed from the premises and directed back to plantations for re-use as compost fertiliser. 4. Glass and polythene waste is removed by licensed third-parties for responsible recycling.
7. Ceytra (Private) Limited	Manufacturing of rubber products	<ol style="list-style-type: none"> 1. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 2. Responsible recycling and disposal of chemicals and other components used during the rubber manufacturing process. 3. Authorised and limited access to sealed warehouses that store chemicals and other hazardous components required for the manufacturing of rubber.

To date, no incidents have been reported of non-compliance with regulations related to the health and safety impacts of our operations or the disposal of waste, a record that we are proud to have maintained during the reporting period.

Green manufacturing programme ►

Having imbued a culture of environmental stewardship across our organisation, we are deeply committed to conserve and responsibly manage the natural resources we consume to run our operations; these include sustainably sourced agricultural produce for the production of FMCG goods in our manufacturing facilities, as well as the energy and water we consume across all our operations. Our commitment has led to the adoption of a green manufacturing programme across our plants, where teams aim to produce better products while consuming fewer natural resources, reducing pollution and waste, recycling and reusing resources, and moderating emissions across our operations to minimise and eventually eliminate our impact on the environment. We follow-up with regular monitoring and reviews, taking immediate measures to rectify issues, if any.

Additionally, “green landscaping” of our facilities and surrounding environments have been introduced to mirror our commitment towards fostering a green manufacturing

environment. We have introduced new saplings and foliage across our factory premises, and have created awareness among our employees as well as neighbouring communities by donating saplings to school children to promote environmental conservation and raising the collective awareness of our communities.

Wastewater management across manufacturing facilities ►

C. W. Mackie PLC is deeply committed to the conservation of our natural resources. One of the key initiatives that were continued during the reporting period on this behalf is the management of wastewater at the water bottling plant.

We promote the optimised use of water across all our facilities, from employee consumption to production processes in order to reduce our need for water from external sources. The facility is equipped with wastewater management systems, where water is subject to treatment and processed for gardening.

Manufacturing Facility	Nature of Production	Water Management Initiatives
1. Scan Water Bottling Plant	Bottling of drinking water	<ol style="list-style-type: none"> 1. ISO 14001:2015 Environmental Management Systems (EMS) certified by the Sri Lanka Standards Institution (SLSI). 2. Water for bottling is sourced from tube wells located within the premises, in compliance with statutory perimeter protection regulations. 3. Well maintained wastewater treatment plant that was introduced during the previous financial year. 4. Applies effluent-minimising technologies in compliance with statutory local environmental standards and regulation to promote water re-use and resource recovery. 5. Facilitates re-use of 10%–15% of water from the filler to rinse bottles following basic treatment prior to bottling.
2. Delish Manufacturing and Processing Plant	Manufacturing of baking ingredients	<ol style="list-style-type: none"> 1. Well maintained wastewater treatment plant.
3. Scan Jumbo Peanut and Snack Manufacturing Facility	Processing and packaging of Scan Jumbo Peanuts and Snacks range	<ol style="list-style-type: none"> 1. Well maintained wastewater treatment plant.
4. Ceymac Rubber Company Limited	Manufacturing of rubber products	<ol style="list-style-type: none"> 1. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 2. Well maintained wastewater treatment plant. 3. Treated industrial wastewater from rubber production is discharged to on-site fish pond, to monitor, guarantee and maintain water quality that is safe for discharge in line with CEA regulations.
5. Sunquick Lanka (Private) Limited	Bottling of Sunquick range of fruit squashes and ready-to-drink (RTD) fruit juices	<ol style="list-style-type: none"> 1. ISO 14001:2015 Environmental Management Systems (EMS) certified by the Sri Lanka Standards Institution (SLSI). 2. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 3. Well maintained wastewater treatment plant.

Manufacturing Facility	Nature of Production	Water Management Initiatives
6. Kelani Valley Canneries Limited (KVC)	Processing of fruits and vegetables	<ol style="list-style-type: none"> 1. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 2. Water is sourced from tube wells located within the premises for production. 3. Well maintained wastewater treatment plant. 4. Treated greywater outflow re-directed for irrigation of fruit orchards.

All statistics with regard to treated water, consumed water, and percentage of water saved through such initiatives, is disclosed by C.W. Mackie PLC to the Central Environmental Authority (CEA) as part of our Green Reporting Disclosures elaborated below.

Energy and emissions management >

We have implemented a number of initiatives to optimise the energy and emissions management throughout our production cycles, and continued to promote the efficient and alternative use of energy through the application of smart energy management practices across all operations. We also continued to upgrade our manufacturing facilities and offices with equipment and infrastructure that are highly energy efficient and less emission-intensive, to further contribute

towards energy savings. Operating hours of plants were optimised by timing work shifts to align with off peak hours to reduce energy bills.

Additionally, we altered our transport and logistics policy to optimise our HORECA and Modern Trade delivery fleet through real-time route mapping for the most efficient, data-backed delivery routes powered by our new digitised sales force automation (SFA) system. Distributors for the General Trade operation on the other hand, are now requested to collect goods from our warehouse complex in Siyambalape, reducing the frequency of deliveries and fleet required. Similarly, our industrial product sector also requests clients to collect their orders, or opt for delivery through outsourced transport and logistics partners. All such measures have directly contributed towards decreasing our collective carbon emissions to the environment.

Manufacturing Facility	Nature of Production	Energy and Emissions Management Initiatives
1. Scan Water Bottling Plant	Bottling of drinking water	<ol style="list-style-type: none"> 1. ISO 14001:2015 Environmental Management Systems (EMS) certified by the Sri Lanka Standards Institution (SLSI). 2. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA).
2. Delish Manufacturing and Processing Plant	Manufacturing of baking ingredients	<ol style="list-style-type: none"> 1. Fully automated and equipped with state-of-the-art, energy efficient, less emissions-intensive machinery and infrastructure.
3. Scan Jumbo Peanut and Snack Manufacturing Facility	Processing and packaging of Scan Jumbo Peanuts and Snacks range	<ol style="list-style-type: none"> 1. Plant was newly constructed and inaugurated in 2021 with the latest, ultra-modern, energy efficient, less emissions-intensive machinery and infrastructure to ensure smart energy management.
4. Ceymac Rubber Company Limited	Manufacturing of rubber products	<ol style="list-style-type: none"> 1. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 2. Substitutes Diesel with firewood to fuel the gasifier.
5. Sunquick Lanka (Private) Limited	Bottling of Sunquick range of fruit squashes and ready-to-drink (RTD) fruit juices	<ol style="list-style-type: none"> 1. ISO 14001:2015 Environmental Management Systems (EMS) certified by the Sri Lanka Standards Institution (SLSI). 2. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA).
6. Kelani Valley Canneries Limited (KVC)	Processing of fruits and vegetables	<ol style="list-style-type: none"> 1. Annually renewed Environmental Protection Licence (EPL) obtained from the Central Environment Authority (CEA). 2. Energy mix consists of electricity sourced from the national grid as well as furnace oil.

ISO 14001: 2015 certified in Environmental Management Systems (EMS)

The Scan Water Bottling Plant and Sunquick Lanka (Private) Limited are ISO 14001: 2015 certified in Environmental Management Systems (EMS), affirming the Plant's efforts to identify, manage and meet our environmental responsibilities in a systematic manner, in line with the Company's Environmental Policy, and the fulfilment of our compliance obligations.

2.6

Highlights of the Year

For the year ended 31 March		2023	2022	Change %
Operating Highlights and Ratios				
Group revenue	Rs. '000	19,207,748	13,163,499	46
Group gross profit	Rs. '000	3,860,129	1,958,514	97
Group profit before tax	Rs. '000	1,326,150	735,742	80
Group profit after tax	Rs. '000	940,218	479,304	96
Profit attributed to parent company	Rs. '000	916,125	491,828	86
Group earnings per share	Rs.	25.46	13.67	86
Dividend per share*	Rs.	10.00	7.00	43
Interest cover ratio	No. of times	3.21	4.56	-30
Net return on capital employed	%	40.62	15.76	158
Earnings per share	Rs.	25.46	13.67	86
Group foreign exchange earnings	Rs. '000	4,060,663	3,049,749	33
Contribution to Government revenue	Rs. '000	2,243,000	1,393,800	61
Group value added	Rs. '000	4,692,400	3,310,100	42
Value added per employee	Rs. '000	7,994	5,767	39
Balance Sheet Highlights and Ratios				
Total assets	Rs. '000	9,312,378	8,405,172	11
Total shareholders' funds	Rs. '000	3,797,087	3,310,220	15
Total debt	Rs. '000	2,705,617	2,644,589	2
Current ratio	1:	1.52	1.38	10
Net assets value per share	Rs.	105.51	91.98	15
Debt/equity	%	71	80	-11
Debt/total assets	%	29	31	-6
Group capital expenditure	Rs. '000	160,834	263,508	-39
Market/Shareholder Information				
Market value per share				
– at year end	Rs.	81.90	55.00	
– during the year – Highest	Rs.	100.00	74.30	
– during the year – Lowest	Rs.	50.00	50.20	
Dividend payout ratio*	%	39	51	
Dividend yield*	%	12	13	
Price earnings ratio	No. of times	3.22	4.02	
General				
Number of employees in Group		587	574	
Value in Rs. at official exchange rate	United States Dollar	327.50	292.00	
	Pound Sterling	406.19	383.60	
	Euro	357.27	326.41	

* Cash dividend paid during the year

In over 100 years of existence, C. W. Mackie PLC reported its best financial results for FY 2022/23.

Revenue

Rs. 19.2 billion

2021/22 – 13.2 billion

PBT

Rs. 1.3 billion

2021/22 – 0.7 billion

Total Assets

Rs. 9.3 billion

2021/22 – 8.4 billion

Gross Profit

Rs. 3.9 billion

2021/22 – 2.0 billion

PAT

Rs. 940 million

2021/22 – 479 million

Current Ratio

1:1.52

2021/22 – 1:1.38

Dividend Per Share

Rs. 10.00

2021/22 – Rs. 7.00

Earnings Per Share

Rs. 25.46

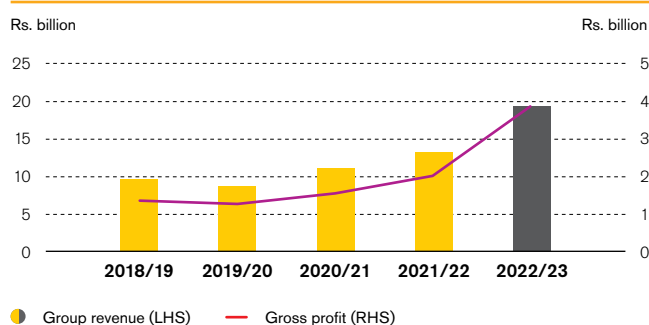
2021/22 – Rs. 13.67

Price Earnings Ratio

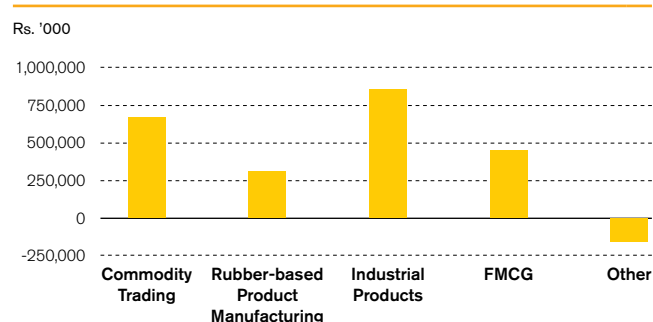
3.22 times

2021/22 – 4.02 times

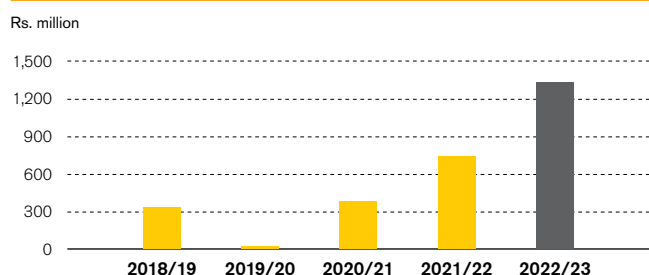
Group revenue and gross profit



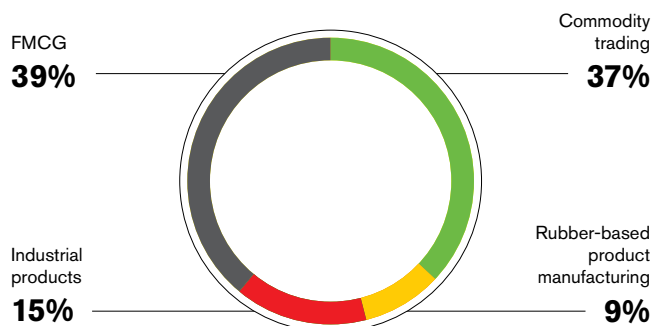
Segmental operating profit



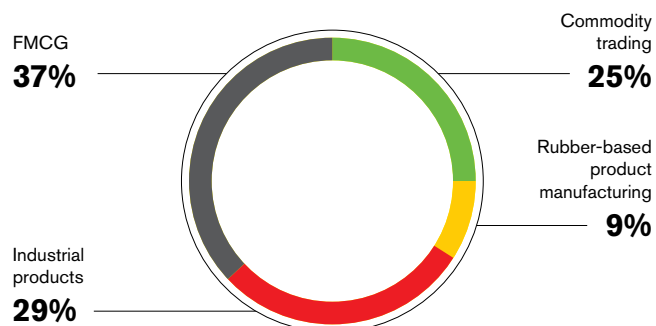
Group profit before tax



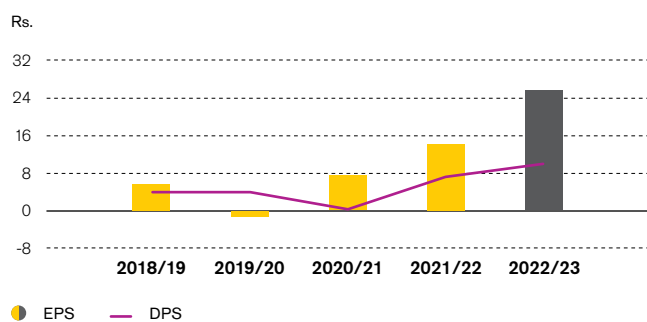
Segmental revenue



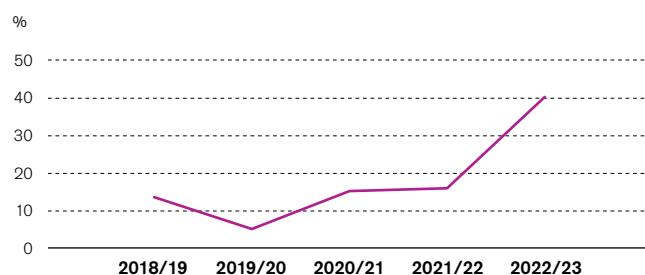
Segmental gross profit



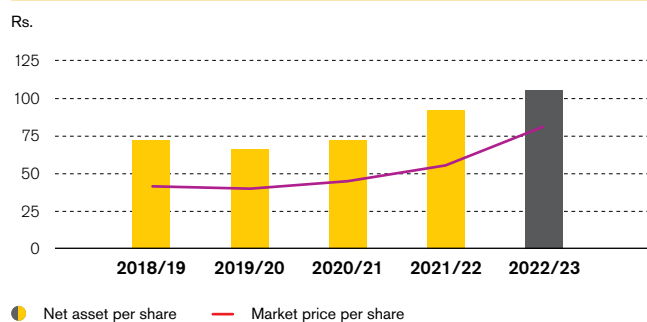
EPS vs DPS



Return on capital employed



Net asset per share market price per share



2.7

Board of Directors

Mr. Hemaka Amarasuriya

Chairman/Chief Executive Officer
(from 28 July 2022)

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 PLC, Lanka Aluminium PLC and Bata Shoe Company of Ceylon Limited. 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.

He has diversified experience in the financial sector as Chairman of National Development Bank PLC and Sri Lanka Insurance Corporation Limited.

An Accountant by profession, he is a former Chairman of the Employer's Federation of Ceylon and a former Chairman of the Industrial Service Committee-Southern Province of the Ministry of Industries. Also serves on the Boards of selected 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.

Ms. C. R. Ranasinghe

Executive Director/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. 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 has been associated with The Colombo Fort Land & Building PLC (CFLB) Group of Companies since 1982 and is the current Chairman of The Colombo Fort Land & Building PLC (CFLB). He is also the Chairman of Lankem Ceylon PLC and E. B. Creasy & Company PLC in addition to serving on the Boards of other Companies within the CFLB Group.

He is a Fellow of the Chartered Institute of Management Accountants, UK.

Dr. T. Senthilvel

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. K. T. A. Mangala Perera

Executive Director

A Director from 2 April 2012. Has over 20 years of cross industry experience at senior levels in marketing and general management, both locally and internationally. He currently functions as the Executive Director-Internal Trading of C. W. Mackie PLC. Also serves on several Boards as Non-Executive/Independent Director.

His academic and professional qualifications extend across multiple disciplines, comprising a Masters in Financial Economics from the University of Colombo, a BSc (Hons.) Marketing Management (Special) Degree from the University of Sri Jayawardenepura, a Post Graduate Diploma in Business and 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 Colombo and University of Kelaniya. As an active marketing professional, he serves on several national level project committees/judging panels.

He is also actively engaged in national level sports administration and served as the President of the Sri Lanka Mercantile Volleyball Federation and played a vital role in promoting beach volleyball in Sri Lanka.

Mr. Sanjeev Rajaratnam

Non-Executive Director

A Director from 20 April 2021. He serves on the Board of E. B. Creasy and Company PLC as Joint Managing Director. He also serves on the Boards of certain subsidiaries of the E. B. Creasy Group and holds several other Directorships, including The Colombo Fort Land & Building PLC. He holds a Bachelor of Science Degree in Business Administration from Boston College, USA and is a Member of the Institute of Chartered Accountants, Australia.

Mr. A. Hettiarachchy

Non-Executive Director

A Director from 18 August 2021. A Chartered Engineer, he is a Director of Sri Lanka Institute of Nanotechnology. He functions in the capacity of Deputy Chairman on the Board of Lankem Ceylon PLC and as Chairman on the Boards of Acme Printing & Packaging PLC, Acme Packaging Solutions (Pvt) Limited, ISL Services Limited, LOLC Advanced Technologies (Private) Limited and Board Member of Central Industries PLC and serves as the Chairman of its Audit Committee. He has served on the Boards of Richard Pieris Finance Limited, Hayleys PLC and functioned as Managing Director on the Boards of Haycarb PLC, Recogen Limited and Puritas Limited.

Also served on several other subsidiaries of Haycarb PLC and Hayleys PLC, both in Sri Lanka and overseas. He was also a Board Member of the National Science Foundation (NSF), Coconut Research Institute, Member of the National Nano Committee and a member of several advisory Boards of the NSF. He possesses expertise in the fields of Process Design, Construction and Commissioning; Instrumentation and Control-Design, Installation and Commissioning; Mechanical Engineering, Thermal and Electrical Energy-Generation and Storage and Nano Technology.

Mr. E. A. A. K. Edirisinghe

Executive Director

A Director from 1 April 2022.

He heads C. W. Mackie PLC Group's Export Division. Also a Director of the subsidiary companies, Ceymac Rubber Company Limited and Ceytra (Private) Limited. He joined C. W. Mackie PLC in 1976 as a Management Trainee and over the years held executive and managerial positions in rubber and produce trading. He has over 47 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.

Mr. Chrisantha P. R. PereraNon-Executive/Independent Director
(from 16 November 2022)

A Director from 16 November 2022.

He serves on the Board of The Colombo Fort Land & Building Company PLC (CFLB) and several subsidiaries of the CFLB Group and also holds directorships in other private and public companies. He retired as Chairman of Forbes & Walker Limited and its subsidiary companies in June 2005 after almost 44 years of service. He is a past Chairman of the Sri Lanka Tea Board, Sri Lanka Insurance Corporation, Public Enterprise Reform Commission (PERC) and Bank of Ceylon. Having held the Office of Chairman of Ceylon Tea Brokers PLC until 1 April 2022, he continues to serve as a Non-Executive Director of the said Company. He has served as a Committee Member of The Ceylon Chamber of Commerce, The Planters' Association of Ceylon and on the Committee of Management of Ceylon Planters' Provident Society. He is also a former member of the Monetary Board of the Central Bank of Sri Lanka.

2.8

Group Management

Mr. K. K. Lalith P. Yatiwella

Chief Financial Officer (from 1 October 2022)

Lalith joined in 2022 as Chief Financial Officer of C. W. Mackie PLC Group of Companies. He has over 22 years of experience in the field of corporate finance. Has served as Group Finance Director of Singer (Sri Lanka) PLC and an Alternate Director on the Boards of Singer (Sri Lanka) PLC, Singer Finance (Lanka) PLC, Singer Industries (Ceylon) PLC and Regnis (Lanka) PLC and a Director of Singer Digital Media (Private) Limited and Singer Business School (Private) Limited. He holds a B.Sc. (Hons.) Special Degree in Business Administration from the University of Sri Jayewardenepura and is an Associate Member of The Institute of Chartered Accountants of Sri Lanka.

Mr. N. Jerome P. Jayasinghe

Chief Operating Officer – Scan Products Division

Jerome joined in 2010 as Assistant General Manager-National Sales of Scan Products Division and presently heads this Division. With an impressive work experience spanning over 30 years, he has gained extensive expertise in Brand Marketing and Sales Management both locally and internationally.

As an active sales and marketing professional, he has contributed immensely by serving on the national level judging panel of the Sri Lanka Institute of Marketing (SLIM) National Sales Awards (NSA). He holds a Master's Degree in Business Administration (MBA) from the Cardiff Metropolitan University, UK.

Mr. W. Chinthaka K. Indrapala

General Manager – Hempel Division

Chinthaka joined in 1998 as Technical Sales Executive and currently heads the Hempel Division as General Manager.

He has over 24 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.

Mr. N. M. Chaminda Nawaratne

General Manager – Sugar Division

Chaminda joined 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 27 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 the University of Peradeniya, Diploma in Marketing Management and a Diploma in Personal Management from the National Institute of Business Management (NIBM), Sri Lanka.

Mr. L. M. Raveendra

General Manager – Group Treasury

Raveendra joined in 2001 as a Management Trainee and held several executive and managerial positions in the Company. He has over 22 years of experience in the field of audit/finance. He holds a B.Sc. Human Resource Management (Special Degree) from the University of Sri Jayawardenepura and is a Fellow Member (FCA) of The Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of Certified Management Accountants of Sri Lanka.

He is also a Director of the subsidiary companies, Ceymac Rubber Company Limited and Ceytra (Private) Limited.

Mr. Saketha P. Jayasinghe

General Manager – Management Information Systems

Saketha joined in 1996 as a Management Trainee and has held executive and managerial positions in the Company. Presently heads the Information Technology Sector. He has over 27 years of experience in the field of information technology. He holds a Bachelor's Degree in Science (B.Sc.) and a Master's Degree in Information Technology from University of Colombo.

Ms. R. Priyadarshani Gunasena

Company Secretary – Subsidiary Companies

Priyadarshani is also the General Manager-Corporate Affairs of Ceylon Trading Company Limited. An Attorney-at-Law and Notary Public by profession. She joined in 1994 as Legal Intern/Management Trainee and held several executive and managerial positions. She has over 29 years of experience in the fields of legal and company secretarial practices.

She holds a Master's Degree in Business Administration (MBA) from University of Colombo and has completed Parts I and II of The Chartered Institute of Management Accountants, UK.

Mr. Nalin B. Jayasinghe

General Manager – Produce Trading

Nalin joined in 1984 as a Management Trainee and has held several executive and managerial positions in the Company. He has over 39 years of experience in the fields of manufacturing, logistics, import and export trading.

He has served two terms as the Chairman of Coconut Products Traders' and Manufacturers' Association, as a Committee Member of the Sri Lanka Shippers' Council, Exporters' Association of Sri Lanka and the Asia Pacific Coconut Community. He holds a Diploma in Marketing Management from the National Institute of Business Management (NIBM), Sri Lanka.

Ms. Chandima Welengoda

General Manager – Group Finance

Chandima joined in 2012 as the Manager-Financial Reporting and has over 17 years of experience in the field of audit, finance and banking. She holds a B.Sc. Accounting (Special Degree) from the University of Sri Jayawardenepura, Fellow Member (FCA) of The Institute of the Chartered Accountants of Sri Lanka and a finalist of The Chartered Institute of Management Accountants, UK. She has also completed Level I of the Chartered Financial Analyst Institute, USA.

She is also a Director of the subsidiary companies, Ceymac Rubber Company Limited and Ceytra (Private) Limited.

Mr. P. Pavalachandran

General Manager – Group Financial Services

Pavalachandran joined in 2017 as General Manager-Financial Services. He has over 25 years of experience in the fields of finance and planning, auditing and general management. He is a Fellow Member (FCA) of The Institute of Chartered Accountants of Sri Lanka. He holds a Master's Degree in Business Management (MBA) from the University of Wales, UK.

He is also a Director of the subsidiary company, Kelani Valley Canneries Limited.

Mr. E. Sugath Edirisinghe

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

Sugath joined in 1995 as a Management Trainee and has held several executive and managerial positions during his tenure of service. He has over 28 years of experience in the field of finance and rubber manufacturing. He holds a B.Sc. Accounting (Special Degree) from the University of Sri Jayawardenepura and a finalist of The Institute of Chartered Accountants of Sri Lanka.

Mr. D. P. Pubudu K. Weerasekera

General Manager – Industrial Products and Refrigeration and Air-conditioning Divisions

Pubudu joined in 2006 as a Technical Sales Executive and currently heads the Industrial Products and Refrigeration and Air-conditioning Divisions as General Manager. He has over 17 years of experience in the field of refrigeration Industry.

He holds a Master's 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 International Institute of Ammonia Refrigeration, USA and a Member of the Institute of Refrigeration, UK.

Mr. K. W. D. Duminda Kotalawala

General Manager – Food Service and Personal and Household Care
Business – Scan Products Division

Duminda joined the Company in 2011 as Brand Manager and has over 26 years of experience in the fields of sales and marketing and general management. He holds a Bachelor's Degree in Marketing Management from the University of Sri Jayawardenepura.

Ms. J. M. S. Chandima Samarasinghe

General Manager – Sunquick Lanka (Private) Limited

Chandima joined in 2021 as General Manager of Sunquick Lanka (Private) Limited. He has 25 years of experience in the food industry in manufacturing, quality, operations and general management, both locally and internationally. He holds a Bachelor's Degree (B.Sc.) in Agriculture specialising in food science and technology from the University of Peradeniya, Master's Degree (M.Sc.) in Food Science and Technology from the Post Graduate Institute of Agriculture of the University of Peradeniya, Master's Degree in Business Administration (MBA) from Asia e University, Malaysia and The Certified Management Accountant (CMA) of the Institute of Certified Management Accountants (ICMA), Australia. He is a visiting lecturer at the Faculty of Technology of the University of Sri Jayewardenepura.



Business Review 03

3.1	FMCG Cluster	28
3.2	Industrial Products Cluster	38
3.3	Commodity Trading Cluster	42



3.1 FMCG Cluster

The FMCG Cluster of C. W. Mackie PLC specialises in the manufacturing, importation, and distribution of fast-moving consumer goods (FMCG).

Represented by the Scan Products Division and Kelani Valley Canneries Limited, the cluster encompasses the brands we manufacture, including Sunquick, Kelani Valley Canneries (KVC), Delish, and Scan, as well as the brands which import and distribute.

Revenue

Rs. 7,522 million

Gross Profit

Rs. 1,411 million

EBIT

Rs. 453 million

Contribution to the Group

From Group Revenue

39%

2021/22 – 35%



From Group PBT

22%

2021/22 – 25%



From Group Gross Profit

37%

2021/22 – 44%



From Group Human Capital

58%

2021/22 – 57%





All FMCG brands were challenged during the year in review, due to a high degree of macro-economic volatility that compounded a consumer market that was yet to recover from the second wave of the pandemic of the FMCG Cluster for the reporting period. Despite above challenges cluster records a 65% revenue growth to reach Rs. 7,522 million revenue.

Having been recognised as one of the premier companies in the country, the cluster is proud to bring, Food and Beverage (F&B), Personal and Household Care (P&HC) segments that have been trusted for decades in the local and global markets.

Our core competency in distribution, combined with a strategically directed and future-ready multi-channel distribution network, enables us to effectively reach across the island and fulfill market demands.

Year in review ➤

The Scan Products Division is the largest contributor to the C. W. Mackie PLC top-line. Maintaining and managing the continuous growth of the cluster and thereby the Company remained an overarching strategic direction during the reporting financial year.

Throughout the reporting financial year, the Scan Products Division of C. W. Mackie PLC prioritised consistent development and effective management, which is the primary driver of the Company's top-line revenue.

Ensuring the continuous growth of this Division was a central strategic objective in order to drive the overall success of the Company.

All FMCG brands were challenged during the year in review, due to a high degree of macro-economic volatility that compounded a consumer market that was yet to recover from the second wave of the pandemic. However, the brands performed well despite the hyperinflationary economic conditions. This is due to multiple strategies executed by the FMCG cluster, resulting in a recorded Rs. 7,441 million with 67% turnover growth of the Scan Products Division for the reporting period.

Sunquick—The flagship brand of our FMCG sector performed well during the year. This was due to the successful negotiations with our foreign buyers during the previous reporting period, with the support from our Sunquick Joint Venture partner and its parent Company in Denmark, to enter new export markets during the year in review. This led to the exporting of Sunquick concentrate across the Asia Pacific region. We exported to Australia, New Zealand, Papua New Guinea, Fiji, Samoa, Tonga, Kiribati, Maldives, Bangladesh and Taiwan during the reporting period, greatly mitigating the impact of decreased consumer demand on our financials during the year. Sunquick Ready-to-Drink (RTD) packs a product that saw growth in local demand during the year in review—was also exported to the Maldives, with plans to expand to other regional markets in the subsequent financial year.

Brand portfolio ►

The continuously evolving and expanding brand portfolio of the Scan Products Division includes a range of highly reputed and demanded local and global brands. During the financial year, the FMCG brand portfolio underwent a restructuring driven by a proactive corporate strategic decision. The restructuring involved categorising the portfolio into food and beverage (F&B), as well as personal and household care (P&HC). This strategic move aimed to streamline operations and better position the sector to confront and enabled the sector to withstand unprecedented macro-economic challenges with resultant to market volatilities during the reporting period.

During the year in review, a number of new F&B products were introduced to the market, including the new range of Scan Snacks, which leveraged the existing brand equity of, and customer loyalty towards, the Scan brand. The new snacks range—produced from 100% locally sourced raw material—benefitted from a highly receptive market that was looking to fill the growing gap in the snacks category due to import restrictions imposed during the year under the Import and Export Control Act. The reporting period also saw the introduction of Masala Flavoured Jumbo Peanuts.

The P&HC import operation began in 2019. However, faced supply chain disruptions from mid 2020, first due to the pandemic and its impact, and more recently during the

reporting period where P&HC products were categorised non-essential and imports completely restricted as a necessary step towards regaining economic stability in Sri Lanka. Such regulations impacted the business vertical during the year in review, with dwindling stocks available for distribution in a market that was also seeing a shift in consumer demand. In order to overcome these unprecedented challenges, C. W. Mackie PLC encouraged suppliers to establish manufacturing operations in Sri Lanka by entering into agreements with local contract manufacturers, which enabled us to revive our P&HC distribution with a number of locally manufactured products by Q1 2023.

Amidst the challenging operating environment, the sector achieved a revenue of Rs. 1 billion, showing great promise for full recovery in the coming year, amidst signs of a shrinking P&HC market. The drop in consumer demand has been directly reflected with a drop in distribution sales across retail outlets. As a solution to this, the category have looked at downsizing our products to meet consumer budgets, with a number of scaled down products ready to hit the shelves in the new financial year. The P&HC product category grew its exclusive distribution channel with plans for expansion in the near future, backed by a recovering supply chain and relaxed import restrictions.

F&B

**PROPRIETARY
BRAND**
**Manufacturing
and distribution**

Delish

A locally produced brand of bakery and confectionary items including Jelly Crystals (strawberry, orange, apple, blackcurrant), Gelatine, Corn Flour, Sugar, Cocoa Powder, Caster Sugar and Butter Cake Mix.



F&B

**PROPRIETARY
BRAND**
Distribution

Kotagala Kahata Tea

Kotagala Kahata Tea—A fine blend of Ceylon Tea



F&B

**JV
BRAND**

Redistribution

Sunquick

A business vertical dedicated to sustain the very strong market position with the brands we own, manufacture and distribute.



Sunquick the category leader in the Sri Lankan squash and cordial market, enjoys over 70% market share. High performance in its local adaptation resulted in the brand being winning many awards.



Sunquick Ready to Drink Packs (RTD) – Rose to the top of the fruit-based RTD category within the local market in a very short period.

F&B

**PROPRIETARY
BRAND**Manufacturing
and distribution

Scan

Scan Jumbo Peanuts – No. 1 in the market, dominating more than 65% of the market share. Manufactured locally at the new, ultra-modern processing and packing facility in Horana, strategically built and inaugurated during the previous reporting period to meet the projected potential of the snack category of products.

Scan Snacks—A variety of locally manufactured snacks that were introduced to the market during the reporting period.

- Buddy Peanuts
- Mixture Bite
- Fried Dhal
- Casava Chips



Scan Bottled Drinking Water is among the leading players in the local market for drinking water. Scan Bottled Drinking Water is a key contributor to the FMCG cluster.

F&B

PROPRIETARY BRAND

Manufacturing and distribution

KVC

KVC product range—A trusted brand for processed tropical fruits and vegetables ranging from jams, sauces, cordials, nectars, fruit juices, pulp to canned fruits and vegetables to chutneys, pickles, pastes, creams, brines, sambols and treacle. KVC is a household brand in Sri Lanka.



F&B

EXTERNAL BRAND

Distribution

Star

Star Brand—A range of essences and colourings owned by International Flavours and Fragrances, USA.



P&HC

Distribution

S. C. Johnson & Son, Inc.

A dedicated business vertical established in 2019 to meet projected high demand for P&HC products locally. Since the local manufacturing space for P&HC products remained under-developed, C. W. Mackie PLC initiated discussions with several global suppliers, receiving exclusive rights to distribute select products across Sri Lanka:

S. C. Johnson & Son, Inc.—An American multinational, privately held manufacturer of household cleaning supplies and other consumer chemicals.

- **KIWI Range of Shoe Care** remains the predominant shoe polish brand in the world with over 50% market share worldwide.



- **Baygon Aerosol Spray** a pesticide used for extermination and control of household pests such as cockroaches, ants, silverfish and mosquitoes



- **Glade** belongs to the air freshener category. The brand consists aerosols and gels with finest fragrances.



- **Mr Muscle** a brand of hard surface cleaners and degreasing agents in kitchens, toilets, floors, glass and other surfaces.



- **Dranex** a heavy duty drain cleaner that effectively cleans blockage in the pipes of washbasins and sinks.



P&HC

Distribution

Wipro Limited

Wipro Limited An Indian multinational corporation which is one of the fastest growing FMCG companies in India, with a presence in 20 countries predominantly across Asia, Africa, and the Middle-East.

- **Santoor Soap** is the flagship brand of Wipro Consumer Care, and is one of the leading soap brands in India, with a loyal consumer market in Sri Lanka.
- **Santoor Hand Wash** was also introduced recently to the local market. Santoor products are supplied by Wipro Consumer Care Lanka (Private) Limited (representing Wipro Consumer Care Limited, India).



- **Softouch** is a fabric conditioner manufactured and supplied by Wipro Consumer Care Limited, India.

Softouch
Fabric Conditioner



A number of new Wipro branded products with emerging market demand are currently in production and are scheduled to be launched in Sri Lanka during the subsequent financial year.

P&HC

Distribution

FMCG ecosystem ►

Himalaya

Himalaya—An Indian multinational personal care and pharmaceutical company well-known for its range of ayurvedic cosmetics, including face wash and facial scrubs, face packs, face masks, deep cleansers, face creams, hair oils, eye creams and lip balms.



Manufacturing

The manufacturing facilities under the Scan Product Division are automated, state-of-the-art facilities located in the Industrial Estate, Horana, and are designed to follow stringent quality controls and compliance standards, and are ISO 9001:2015 and ISO 22000:2018 certified. All FMCG manufacturing operations are carried out in accordance with certified Good Manufacturing Practices (GMP) and guidelines to meet our benchmark quality standards, with most products being SLS certified. Internal and external quality assurance programmes ensure periodic testing of quality and processes across all facilities. All products meet the most stringent international and national quality standards. The manufacturing facilities follow an HACCP inspection plan to ensure that hygienic standards are followed to ensure customer health and safety through certified food safety standards. Additionally, all handlers of the food ingredients undergo annual medical check-ups.

- Scan Bottled Drinking Water Plant—ISO 14001:2015 certified for Environmental Management Systems
- Scan Snack Manufacturing Plant—ISO 2200, ISO 9001, GMP & HACCP Certified Plant.
- Delish Manufacturing and Processing Plant—SLS 885:2022 standard for Jelly Crystals & ISO 2200, ISO 9001, GMP & HACCP Certified Plant.

Kelani Vally Canneries Limited (KVC)

A member of C. W. Mackie PLC Group, KVC manufactures over 40 superior quality processed fruit and vegetable products targeting the export market, eventually gaining a stronghold among domestic consumers. The facility is equipped with state-of-the-art machinery to offer both thermally sterilised and frozen products ranging from sauces, jams, cordials, nectars, chutneys, treacle, fruit juices, fruit pulp, canned fruits and vegetables to pickles, pastes, sambols and vinegar. KVC is ISO 22000:2018 certified for Food Safety Management Systems, and also holds the GMP and HACCP certifications to confirm KVC's commitment to manufacture and trade in safe food management practices. The Scan Products Division is the sole distributor of KVC products across the island.

Sunquick Ready-to-Drink (RTD) Manufacturing plant

A Joint Venture (JV) with Co-Ro A/S, Denmark, the plant manufactures a range of four flavours in 125 ml and 200 ml RTD pack sizes.

Warehouse complex

Our recently upgraded, fully-fledged, high tech warehouse complex in Siyambalape, now boasts 47,000 sq.ft. of space to store and manage the products we import, manufacture and distribute across the Country. With this expanded capacity to house 4,000 pallet positions, the warehouse operates in a digitalized and automated environment that is able to store a diverse range of products according to specific temperature-controlled storage conditions. We are also looking at introducing a Warehouse Management System (WMS) to promote supply chain traceability and improve efficiency.

Distribution and marketing

Marketing

We focused on promoting our FMCG brands through ATL mass media channels as well as BTL campaigns to increase brand preference and create intent to purchase during the year in review, competing against shrinking disposable incomes in a challenging market. To maintain our brand equity, we also followed up specific brand-focused CSR campaigns, apart from Company-backed social and environmental initiatives. Despite a drop in sales volumes during the reporting period, our expanded product portfolio of locally manufactured products was highlighted and marketed across all media, which helped us secure profitable growth in value during the year. We will continue to build and sustain brand equity to increase our competitiveness in the market through our strategic 30:70 ratio of marketing budgets for brand building and sales promotion respectively.

The Scan Products Division, whilst enhancing its brand portfolio through new and innovative products, supports these brands through strategic marketing and advertising campaigns which ensure that the brands get the recognition and status they deserve.

Channel development

The Division has implemented a well-defined distribution channel network to ensure the smooth and efficient delivery of its products to the market. At the core of this strategy lies the imperative of maintaining consistent product availability and widespread brand presence across the entire island. To support their operations in the general trade, wholesale, modern trade, food services sector, and independent supermarket channel (ISM/SMMT) and E-com. The

management has adopted a comprehensive hybrid approach encompassing vertical sales, marketing, and multi-channel distribution. This strategic framework enables direct access to an expanding its outlets throughout the island, including a dedicated channel exclusively catering to the food services sector. Consequently, this ensures that both the local and foreign communities can fully immerse themselves in the authentic essence of Scan product variants.

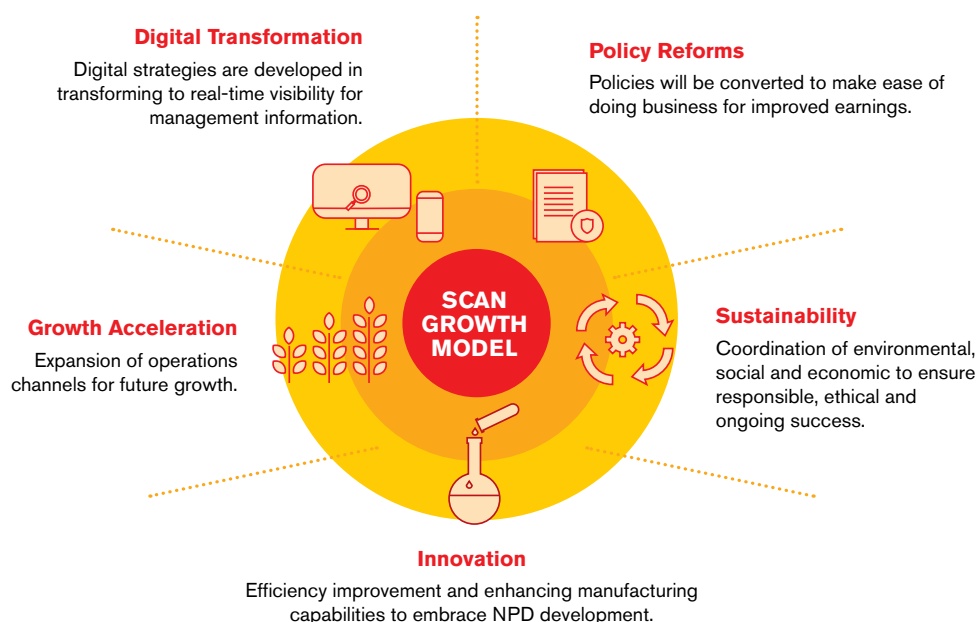
“A Strategic Plan for Sri Lankan Tourism 2022-2025”, a report recently published by the World Bank with the support of Australian Aid, projects on US \$ 10 billion in foreign exchange earnings through tourism by 2025, which drove our focus towards implementing a three-pronged HORECA channel strategy during the reporting period:

- Add new products to the current product basket which are directly related to the HORECA operation
- Strengthen the distributorship network
- Promotion campaigns/relationship building targeting HORECA sector decision makers. We identified five stakeholder engagement opportunities to create greater impact across the HORECA channel:
 - Culinary Art Exhibition—organised by the Chef's Guild of Sri Lanka.
 - Ceylon Hotel School Events—organised by the Sri Lanka Institute of Tourism and Hotel Management (SLITHM), the only government-approved premier institute in hospitality and travel in Sri Lanka.
 - Catering Workshops—organised by C. W. Mackie PLC in collaboration with industry experts for business insights
 - Bar Tender Competitions and Training Programmes—in collaboration with Sri Lanka Tourism and SLITHM to reach all five provincial hotel schools island-wide for regional competitions and the final all-island competition.
 - Events held by island-wide Hotelier Associations.

We also identified a few more opportunities including cross-selling products and new market penetration for overall channel development in the subsequent financial year, to extend our distribution coverage and strengthen our core capability.

2022/23 Growth Model for the Scan Products Division ►

The Scan Products Division believes in executing winning strategies to achieve all objectives.



Digital transformation

The reporting period recorded giant strides in our strategic digital transformation journey, in order to be more agile and responsive to expected and unexpected market changes. The digitisation was largely applied to the multiple verticals of the Scan Products Division, in order to improve efficiencies while increasing visibility of the operation at decision-making level.

Cloud-based Real Time centralised–Sales Force

Automation (SFA): transforming from previous de-centralised (SFA), sales operation across our field sales was replaced in January 2022 with a future-ready Sales Force Automation (SFA) system that has allowed for greater resource optimisation and improved operational efficiencies across the operation. Our Sales Force are now able to meet sales goals by streamlining their sales journey, eliminating monotonous and delayed de-centralised (SFA) tasks to increase revenue, number of outlets covered, supported by optimised route-mapping for each Sales Representative based on the distributor network they are each assigned. Furthermore, by leveraging the cloud platform, we have been able to view and analyse real-time data, and address the lags identified previously in billing, inventory and distribution updates.

Utilising the advanced cloud-based SFA platform, Sales Representatives efficiently invoice Retail outlets, triggering immediate notifications to the nearest assigned Distributor. Area Managers stay abreast of unforeseen market demands and area sales performance, while the Company accesses the system to examine diverse dashboards spanning operational verticals, facilitating informed decision-making. Enhanced visibility of Sales Representatives' individual performance enables data-driven assessments.

Policy reform

With the Scan Products Division having been in operation for over four decades, many of the policies implemented long ago required urgent reform due to the rapid pace of transformation across the industry, locally and globally. The reporting period witnessed several policy reforms to ensure the Scan operation remained relevant and facilitated ease of doing business, while complying with legal and operational requirements in the current operating environment.

Sustainability

The nature of our operation has directed our focus towards incorporating strategic sustainable practices to minimise our impact on the environment. The operation initiated implemented and continued during the reporting period.

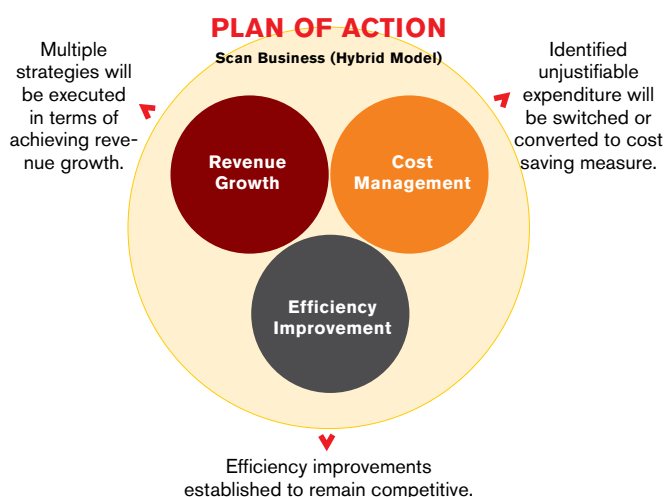
Innovation

We initiated efficiencies to improve and enhance our entire FMCG ecosystem through innovation, such as the establishment of the state-of-the-art processing and packaging Scan Snack manufacturing plant. With the timely investment made in establishing the plant during the previous reporting period, we were able to focus on New Product Development (NPD) which falls under this pillar, and went on to successfully introduce high quality, locally manufactured products by utilising the infrastructure that was already in place.

Growth acceleration

The reporting period recorded 67% and 68% growth in the Scan Division's top-line and bottom-line respectively, despite the country's challenging operating environment. When this blueprint for growth was being strategised, we were looking at a hybrid model; one priority was revenue growth, powered by additional revenue from sales expansions through increased distributor touch points. The other priority was cost management through improved efficiencies; the perfect balance to result in sustainable growth for the Company.

Our approach to cost management during the reporting period has been two-fold; reducing expenditure, and increasing cost efficiencies. We have achieved a number of cost efficiencies through optimised distribution of logistics, reduced wastage, manufacturing higher volumes within the same production cycles, and using energy-intensive machinery during off-peak hours. Digitalisation and automation has also played a crucial role in reducing cost efficiencies across the Company.



Future outlook

Deeper market penetration remains our main strategy—one which could not be executed during the previous years due to various external factors. With New Product Development and Channel Development identified as focus areas for the subsequent financial year, our focus is to increase island-wide outlet reach in next reporting period, to drive both volume-based and value-based growth across the FMCG Sector.





3.2 Industrial Products Cluster

Comprises of three main business verticals segregated under the Refrigeration and Air-Conditioning Division, Lightweight Machinery and Welding Electrodes Division, and the Hempel Paints Division.

Revenue	Rs. 2,805 million
Gross Profit	Rs. 1,141 million
EBIT	Rs. 852 million

Contribution to the Group

From Group Revenue

15%

2021/22 – 16%



From Group Gross Profit

30%

2021/22 – 33%



From Group PBT

42%

2021/22 – 45%



From Group Human Capital

6%

2021/22 – 7%





The Industrial Products Cluster performed strongly during the reporting period, recording a 34% growth to reach Rs. 2,805 million in revenue despite innumerable challenges from the external operating environment, and was one of the best performing Cluster at C. W. Mackie PLC during the year in review.

As a fully import-based operation, the Cluster benefitted greatly from solid forward-planning strategies that enabled the Division to purchase industrial products in advance at the onset of the financial year based on data-backed forecast cycles. This helped mitigate the impact from restrictions imposed on imports during the reporting period, as a result of the shortage of foreign exchange reserves in the country at this time. The challenges were further compounded by the depreciating Rupee as well as global supply chain disruptions extending from the Russia-Ukraine war and the subsequent geopolitical tensions.

Many market players in the local industrial products sector were left crippled by these operating conditions, resulting in an underserved market that C. W. Mackie PLC was ready to penetrate, growing both in terms of value as well as sales volumes during the year in review.

Refrigeration and air-conditioning ▶

The Division imports, sells and distributes world-renowned brands of refrigeration and air-conditioning equipment, components, accessories and refrigerant gases.

Brand portfolio

We are the authorised importer/distributor and sales agent for leading global brands including:



Year in review

The Refrigeration and Air-Conditioning (R&AC) Division continued its momentum from the previous financial year, recording growth in both value and volume and contributing to both Cluster and Group profitability. Despite major macro-economic challenges, the Division discovered opportunities for growth across a number of recovering sectors that required our R&AC products and expertise to carry out their respective infrastructure upgrades from cool rooms and hatcheries to refrigerated cabinets and atmospheric condensers. Businesses that leverage such temperature-controlled environments required immediate replacements and upgrades in order to scale and meet growing local market demand, with our R&AC Division ready to service them according to their needs.

This also led to the Division fast adapting to the island's import regulations and global supply chain restraints during the year in review and begin to locally assemble custom-ordered industrial machinery, leveraging our in-house expertise. Our qualified engineers continue on site visits to impart their technical advice, assisting clients to better understand their industrial R&AC requirements and assemble their custom-designed systems on-site, resulting in greater cost efficiencies to both client and Group.

As a result, divisional revenue during the year in review grew 30% from last year.

Future outlook

The Division is looking forward to reviving a number of confirmed, large-scale projects that were postponed during the reporting period due to unavoidable circumstances resulting from the economic crisis. We have also identified a number of new product categories in the Industrial Product Sector to meet the evolving demands of our growing client base and are looking to introduce them during the next financial year.

The Lightweight Machinery and Welding Electrodes (LM&WE) ▶

This Division manages the import and sale of welding electrodes, alloys, rods, lightweight machinery, accessories, spare parts and equipment, with a long-established reputé as the trusted Sri Lankan partner of a growing number of global agencies of world-renowned brands.

Brand Portfolio



Year in review

The Lightweight Machinery and Welding Electrodes (LM&WE) Division continued to capture major market share during the reporting period backed by forward-planning and shipment import strategies.

Overall, the Division posted a significant revenue growth for the reporting year, growing by 13% over last year.

Future outlook

The Division will continue to explore opportunities to expand and diversify its product portfolio, to access untapped market segments and industries in the country. This will increase penetration and develop strong distribution channels into several industries in the country.

Hempel Paints ▶



This Division engages in the import, sale and distribution of marine paints and protective coatings, with a team of highly qualified coating advisors providing technical services in the application of Hempel Paints—a world-leading supplier of trusted coating solutions. It remains the preferred name for coating locally fabricated freighters, yachts and boats locally.

Customer segments

1. Marine segment

The Hempel Paints Division provides marine paint related solutions for vessels that dry dock as well as other harbours and docks across the country. This includes the supply of paints and technical expertise for regular maintenance of sea-going vessels as well as major repairs, to retain these in good condition and free of corrosion in the harshest of conditions. High quality Hempel primers, intermediate coats and various types of finishing coat paints are also made available to ensure better service life for vessels. Anti-fouling which helps reduce fuel consumption and is suitable for high vessel idling periods, is also part of the Division's marine coating solutions portfolio. Apart from vessels, Marine Paints are also extended to marine structures including port cranes as well as bridges and wind turbines.

The Division ventured into new building of vessels in partnership with the locally built freighters, and is responsible for the inspection of surface preparation and the application of paint on the new vessels.

2. Container coating segment

The Hempel Paint Division supplies paints to container yards across Sri Lanka, meeting the market requirement by international container lines for globally accepted, premier, quality coating products to protect their containers in high corrosive environments.

3. Protective coating segment

Drawing on decades of experience from the marine segment, the Hempel Paints Division provides anti-corrosive coating solutions for any type of steel structure, reducing long-term maintenance costs as well as operational inefficiencies and costs that may result from breakage of structures.

The Division diversified to supply protective coatings across multiple untapped sectors including telecommunication services, manufacturing facilities, hydropower and coal power plants, gas and petroleum storage terminals and tanks, irrigation and road development infrastructure as well as various steel building structures including warehouses, factories and supermarkets etc.

Year in review

With international shipping fleets and liners that dock in Sri Lanka adhering to globally-accepted standards and systems in the surface preparation and application of coatings, the Division initiated discussions with regulatory authorities to relax certain restrictions on paint imports and duty during the reporting period. With delays in crude oil consignments to Sri Lanka during the year due to depleting forex reserves, local oil refineries were unable to produce and deliver paint solvents such as thinner to the market. This led the Division importing thinner with a near 100% customs duty, impacting our bottom-line growth during the year in review. The fuel shortage as well as the restrictions on imported goods also impacted the number of vessels that touched the Colombo Port, with freighters being redirected to other regional ports for dry dock maintenance.

Leveraging the strong reputation of the Division's four-decades-long operation in this specialised sector, we were able to overcome the challenges and prevailing uncertainties impacting the business during the year by rapidly reviving our supply chains and technical services. Renowned for our unparalleled service and the guarantee of stock availability, the Hempel Paints Division was able to ensure the on-time completion of several tendered projects during the reporting period, among which the new building business vertical proved to be a successful avenue of income generation, strengthening our balance sheet. The year in review saw the completion and delivery of two new freighters, with more new building assignments lined up for the subsequent reporting period.

We were also able to leverage the in-house expertise of our team to recover redirected business; shipping lines in neighbouring countries docked a number of vessels at the Colombo Port for painting and maintenance, to utilise the expertise and experience of our Division's specialised professionals. Our Coating Advisors and Inspectors are NACE (National Association of Corrosion Engineers) qualified, an accreditation that is a mandatory requirement for marine painting assignments due to the risks, hazards, scale and budget entailed with the nature of the operation.

The Division also looked at ways of reducing overhead costs to stabilise profit margins; this included the storage of paint stocks in duty-free custom bonded warehouses that supported our Hempel Paint exporting operation to regional markets, bringing in foreign exchange to the country and avoiding any overspill of custom and clearing fees to our clients.

The Division addressed emerging competition in terms of industrial paint alternatives in the local market by promoting the internationally acclaimed quality and benchmark standards of Hempel Paints among global shipping and container fleets.

The accumulation of our efforts resulted in the Hempel Paints Division posting an excellent revenue growth during the reporting period, with sales increasing by 75% year-on-year.



Future outlook

A number of large-scale infrastructure painting projects that were paused during the year in review are looking to be revived in the subsequent financial year, in addition to the line-up of new building projects. The Division is also in discussions to introduce fire-proof coating to large-scale steel construction projects in Sri Lanka. Hempel being a Company conducting continuous research and development in the coatings industry, C.W Mackie PLC will also be able to introduce Hempel's other innovative products which suit local requirements.



3.3 Commodity Trading Cluster

The Commodity Sector is the inherited matured business unit with its own heritage and history, and is made up of three main business verticals; Rubber-based Product Manufacturing, the Export Trading Division, and the Sugar Trading Division.

Revenue

Rs. 8,881 million

Gross Profit

Rs. 1,308 million

EBIT

Rs. 976 million

Contribution to the Group

From Group Revenue

46%

2021/22 – 49%



From Group Profit

34%

2021/22 – 23%



From Group PBT

65%

2021/22 – 53%



From Group Human Capital

28%

2021/22 – 28%



With the depreciation of the Sri Lankan Rupee, the Commodity Trading Cluster's performance during the year in review saw significant gains, recording a 37% growth to reach Rs. 8,881 million in revenue.

Due to global recession and Russia–Ukraine war, some markets were directly and indirectly affected but rubber trading and rubber products manufacturing business units business successfully supplied overseas orders and strengthened overseas customer relationship. The Group has focused on capacity expansion of manufacturing facilities, on investing in new machinery, repairing old machinery and revisiting production lines and investing on human capital to more focus on developing new products and marketing strategies. LKR depreciation was favourable in terms of revenue and margin in the export business. The Sugar Trading Division—the only import business vertical in the Cluster—concluded a profitable financial year by successfully extending our graded sugar sourcing network locally due to import constraints.

Additionally, as the Group's source of foreign currency, the Sector by default remained accountable for supporting all other import clusters across C. W. Mackie PLC during the reporting period, thereby strengthening trading capacities and ensuring smooth operations across the Group.

Rubber-based Products Manufacturing ▶

Engaged in the manufacturing, sale and export of technically specified rubber, sole crepe and moulded rubber products from manufacturing subsidiaries.

Manufacturing portfolio

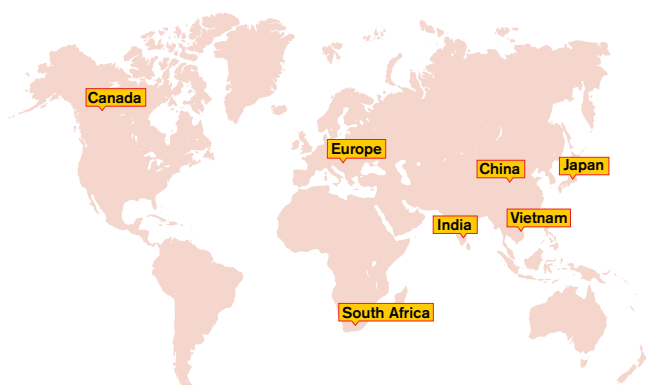
Our rubber-based product manufacturing operation is powered by two manufacturing subsidiaries; Ceymac Rubber Company Limited and Ceytra (Private) Limited, both facilities located within the Horana Export Processing Zone in the Kalutara District, renowned for some of Sri Lanka's most prime rubber plantations.

Rubber is produced from extracted latex sap, and the strategic location of our manufacturing facilities in such close proximity to the rubber plantations ensures that the fresh, highest quality latex sap is sourced for the production of internationally benchmarked natural rubber products, a strategic advantage leveraged by the Company when trading in a competitive market. The adjacent locations also enable both facilities to share infrastructure, management skills and technical capabilities, including a dedicated state-of-the-art laboratory headed by a certified Rubber Technologist to carry out research, development, as well as stringent quality control and testing on rubber compounds and finished rubber products. By optimising resources and minimising overhead costs, subsidiaries have been able to directly contribute towards maintaining and improving the Sector's profit margins.

Ceymac manufactures technically specified rubber (TSR), plantation sole crepe and specialty rubber products, with more focus on supplying to the domestic market across the tyre, pharmaceutical, automobile, adhesive, footwear, mining and woodwork industries.

Ceytra manufactures a wide range of value-added natural as well as synthetic moulded rubber products for the agricultural, automobile and shipping industries. Ceytra leverages in-house expertise and capabilities in design, development and manufacturing to tailor-make high quality rubber products based on engineering drawings and specifications provided by customers. Domestically too, Ceytra manufactures a range of rubber carpets and mats for a leading local supermarket chain according to custom specifications.

Major export markets



Year in review

Import restrictions imposed at the onset of the reporting period compounded by the local macro-economic challenges resulted in a shortage of chemicals, fuel and packaging materials, heavily impacting the sectors production lines.

Ceytra, which follows chemical-intensive processes for rubber manufacturing experienced severe constraints due to the surge in chemical prices. We gradually overcame State restrictions on the opening of Letters of Credit (LCs) for the import of chemicals by leveraging the financial credibility in export earnings.

Ceymac benefitted from following less chemical-intensive manufacturing processes, and was affected comparatively less by the surge in chemical prices.

Future outlook

With import restrictions gradually being lifted, and the slow yet steady recovery of global markets, the rubber-products manufacturing sector will focus on recovering and growing its export volumes by expanding to untapped niche markets.

Export trading ▶

A core activity of the C. W. Mackie PLC Group since 1900, the Export Trading Division is dedicated to the export of natural rubber products, coconut-based products, as well as a steadily growing product portfolio of spices and seeds to international markets.

Product portfolio

1. Rubber

We are a leading exporter of all grades of natural rubber including thin and thick pale latex crepe, thick brown crepe, ribbed smoked sheet (RSS), white and coloured sole crepe, technically specified rubber (TSR), as well as specialty grades of natural rubber such as granulated crepe and ZOX crepe. Natural rubber grade exports are used in the pharmaceutical, adhesive, marine paints, automobile and footwear industries as well as in the manufacturing of household goods.

2. Coconut

Our export portfolio of coconut-based products covers desiccated coconut from organic sources as well as in fine, medium, chips, threads, flakes and toasted grades, as well as low-fat coconut and a number of value-added coconut products.

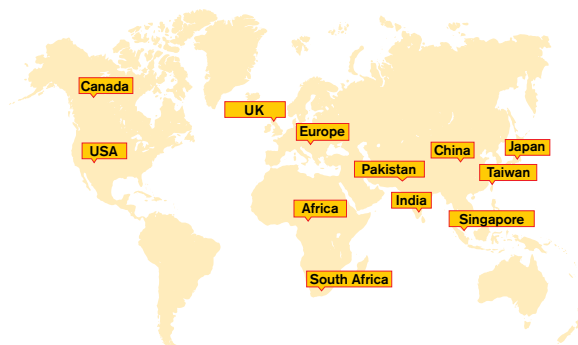
3. Spices and seeds

We export a range of premier Sri Lankan spices inclusive of black pepper, cloves, nutmeg cinnamon mace, as well as sesame seed and areca nut, business to business on (B2B) basis.

Our buyers are well-known extra-large spice importers in the world. We have gained a considerable market share in export for sesame seeds and cloves in a few years time.

Compared to competitor countries in the region, the higher quality, distinct flavour and aroma, medicinal value, endemic properties, and most crucial and unavoidable high cost of production, have all contributed to prices that are correspondingly high at the farm gate. With the Export Division procuring considerable quantities of spices directly from farmers, the high prices have in turn challenged the consistency of our trading margins given the highly competitive overseas market.

Major export markets



We export approximately 80% of rubber manufactured at our local facilities in its natural form to Japan, Singapore, UK, Europe and USA for use in the pharmaceutical and adhesive industries.

Quality Standards

Drawing from over a century of experience as a pioneer in the Export Trading business, the C. W. Mackie Export Division strongly, dutifully and habitually conforms to ISO and EU standards in product manufacture, commodity selection, and exports, with meticulous quality checks at each stage of the process.

Year in review

The Export Trading division recorded a strong performance, specially in crape rubber powered by forward thinking strategies built on global market trends and the devaluation of the Rupee during the year in review.

The Division also sustained its high-rate of retention by ensuring all staff members were empowered through their steady employment and income to face the challenging living conditions resulting from the rising cost of living in Sri Lanka.

Overall, the Division posted a significant performance growth for the reporting year, bringing home an export income of Rs. 3,621 million which was a 41% year-on-year growth, contributing 73% to the Cluster's profitability.

Future outlook

The growth momentum of the Division will be maintained through new strategies to expand our export markets as well as our export product portfolio. The Division will continue to anticipate market trends and currency movements to ensure a greater profit margin next year.

Sugar trading ➤

The Division dedicated to the import and wholesale distribution of high quality, refined white sugar to B2B customers in Sri Lanka.

Product portfolio

The Division imports three grades of high-quality sugar; refined, semi-refined and super-refined, and services an elite B2B clientele spanning the confectionary, beverage, pharmaceutical, dairy and bakery industries. The Sugar Trading Division also supplies caster sugar for industrial use, and granulated sugar to clients upon request.

Quality Standards

We conform to stringent international standards of quality applicable to the sugar manufacturing industry, and guarantee all sugar imports are free of Genetically Modified Organisms (GMO) as confirmed by the Non-GMO Certificate of Analysis.

Major import markets



Year in review

Given the volume-based nature of Sugar Trading business, we were unable to trade the quantities targeted for this reporting period due to foreign exchange constraints limiting import volumes. We addressed this issue by purchasing from top calibre local sugar producers following a stringent quality and conformity compliance check for all relevant certifications and standards in sugar manufacturing, in order to meet the required quality standards imposed by our clients.

However, due to the widespread drop in consumer demand for commodities during the year across the sectors we service as a result of inflation stemming from the economic crisis, client production volumes were also impacted, allowing the Division to sustain a steady supply to satiate the decreased market demand.

Future outlook

The Sugar Trading Division will continue to identify new business opportunities based on rapidly evolving market conditions, and is looking at speciality sugar imports based on emerging client requirements. Additionally, the Division also plans to extend its granulated sugar trading operation to the mass consumer market, by utilising the capacity available at the Delish manufacturing plant for grounding.



Sustainability/ ESG Review

04

4.1	Financial Capital	47
4.2	Human Capital	53
4.3	Social and Community Capital	56
4.4	Intellectual Capital	59
4.5	Manufactured Capital	62

4.1

Financial Capital

**Basis of preparation** ▶

The Financial Statements presented herein represent Consolidated Financial Statements of C. W. Mackie PLC for the year ended 31 March 2023. The consolidated statements include the Company, C. W. Mackie PLC along with its subsidiaries, Ceymac Rubber Company Limited, Kelani Valley Canneries Limited, Ceytra (Private) Limited, Sunquick Lanka Properties (Private) Limited and joint venture company Sunquick Lanka (Private) Limited.

Overview ▶

The Group's performance in 2022/23 should be set out in the context of the operating landscape that prevailed during the year. The country's weakened macro-economic factors, significant rise in inflation, severe shortage in foreign exchange liquidity, significantly high market interest rate, sharp devaluation of LKR and social unrest led to sluggish market conditions, adverse impact on disposal income and consumer sentiments. Global economic recession and Russia-Ukraine war indirectly affected local economy due to disrupting supply chain, increase in global commodity prices and declining volume and market share of some foreign markets where Group is directly or indirectly present.

As a result of diversification of business and own manufacturing capabilities, Group had mixed impact on macro-economic variables. Improving export revenue, increasing USD inward remittances, and strengthening local manufacturing, the Group was able to maintain an undisrupted supply chain to support the trading arm of the operations. As a result of its well positioned export, import, service and manufacturing business portfolio, Group was able to dominate its market leadership position in susceptible economic environment and increased market share of FMCG and industrial product clusters. Despite these obstacles, the Group delivered an exceptional performance, as detailed in the following pages.

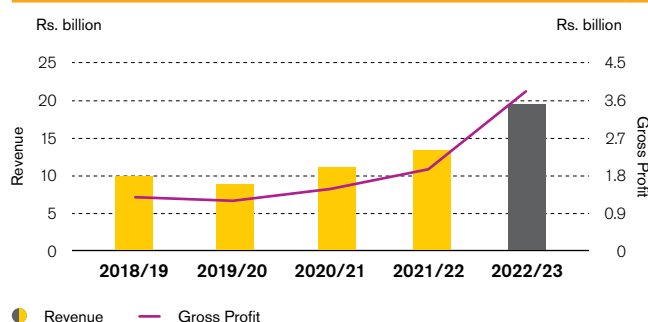
Revenue ▶

Consolidated revenue increased by 46% to Rs. 19.2 billion during the year, while at the Company level, revenue increased by 45% to Rs. 17.5 billion. Revenue growth was supported by undisrupted supply chain, timely decision to increase inventory levels, capitalizing own manufacturing capabilities, gaining customer confidence, entering new service and supply agreements, new product range, reasonable volume gain in some product categories in difficult markets, maintaining Inflationary pressures necessitated price increases and LKR depreciation were key factor to maintain 46% revenue growth

over prior year. Group invested and increased manufacturing capacity identifying key strategy to mitigate supply chain disruption under import restricted economy which contributed substantially to top-line growth. Timely decision on increasing inventory levels in industrial product cluster brought volume gains. LKR depreciation had a positive impact on export revenue.

Gross profit ▶

Given the market's lackluster conditions was a true test of managing sales volume vs gross profit margin of the operations. Inflationary pressure and LKR depreciation led to for price increases in FMCG and Industrial Products Cluster and it was challenging to maintain consumer purchasing sentiments and volume growth. On the other side, export and manufacturing businesses secured gross profit margin due to LKR devaluation, increasing volume and lower cost structure. Building the inventory at correct time before the LKR depreciation resulted in lower growth in average cost of inventory in industrial cluster. The commodity trading cluster was successful in passing LKR depreciation impact to its B2B customers. Group optimized all these opportunities and optimized portfolio management and Group's gross profit margin rose from 15% to 20% during FY 2022/23.

Group revenue and gross profit ➤**Distribution and administration expenses** ▶

Exceptionally high inflationary economy, LKR depreciation together with cost base pricing adjustments to fuel and electricity tariff had unexpected challenges on managing expenses in operations. This was further aggravated by expansion of business to next level of operation on improving infrastructure like improving IT, logistics, investment in fixed assets and investment in human capital. Investing for future potential has never been sacrificed for the betterment of short term gain.

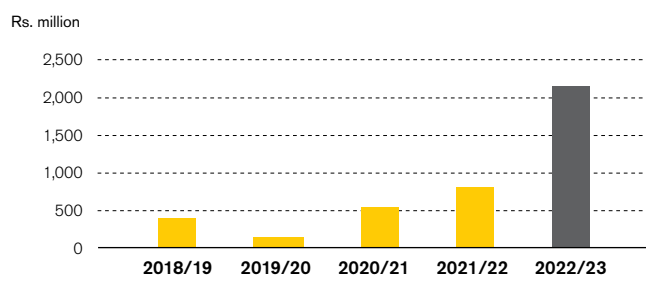
Despite those facts, the Group successfully maintained distribution expenses as a percentage of revenue at 4.6%, which is in line with the prior year. Distribution expenses increased to Rs. 888 million from Rs. 607 million mainly due to revenue growth. This includes provision for impairment of trade debtors amounting to Rs. 16 million. During the fourth quarter of the financial year 2022/23, the most recent macro-economic forecast data was incorporated into the impairment model to ensure more prudent provisions for bad debts in accordance with SLFRS 9.

Administration expenses as a percentage of revenue were 5.5%, which is also in line with the prior year. Administration expenses rose to Rs. 1,052 million from Rs. 728 million keeping a growth rate of 45% mainly due to inflationary impact, fuel and electricity cost increases as explained, travel expenses, provisions for bonus as per the Group bonus policy, provision for impairment of slow-moving Inventories, several one-time costs and growth in level of operations. Management ensures that expenses are scrutinised before the spending and effective management of expenses is the basic KPI of all departments and Divisions.

Result from operating activities ▶

During the period under review, the results from operating activities for Group and Company were Rs. 2,147 million and Rs. 1,820 million, respectively. Group and the Company operating profit margins were 11.2% (2022-6.1%) and 10.4% (2022-6.4%) respectively. Results from operating activities increased over the previous year mainly due to growth in sales and gross margins.

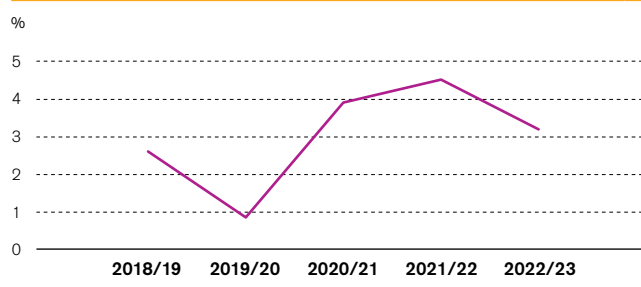
Group EBIT ▶



Net finance cost ▶

During the period under review, Group net finance costs on loans and borrowings plus gain or loss on foreign exchange increased to Rs. 655 million from net finance income of Rs. 55 million in FY 2021/22, because of higher interest rates from a tightening of monetary policy and exchange rate fluctuation. Group interest costs comprise net interest costs of Rs. 631 million and net foreign exchange loss of Rs. 24 million, respectively. The Group reported net finance costs of Rs. 163 million and foreign exchange gain of Rs. 218 million in FY 2021/22. Net finance cost increased as a result of a tightening of monetary policy which led to an increase in the Group borrowing rate. Group net borrowing after netting off the cash in hand as at the Balance sheet date was Rs. 2,414 million vs Rs. 2,386 million as of 31 March 2022.

Interest cover ratio ▶



Share of joint venture's loss ▶

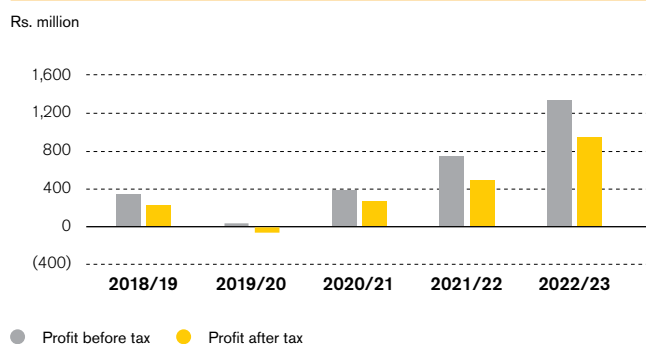
This relates to the Group joint venture Company Sunquick Lanka (Private) limited. During the year under review the Group share of loss from joint venture company Sunquick Lanka (Private) Limited was Rs. 165 million vs loss of Rs. 127 million in FY 2021/22. The Company has 49% interest in Sunquick Lanka (Private) Limited and a joint venture formed for the purpose of manufacturing, processing and marketing Co-Ro A/S, Denmark products in the form of concentrate and ready-to-drink (RTD) products marketed under "Sunquick" brand. As Sunquick Lanka (Private) Limited is carrying USD denominated loans and trade payable due to LKR depreciation, Company was adversely affected by exchange devaluation losses. This resulted in a share of joint venture loss at the Group in FY 2022/23 and 2021/22.

Pre and post tax profit ➤

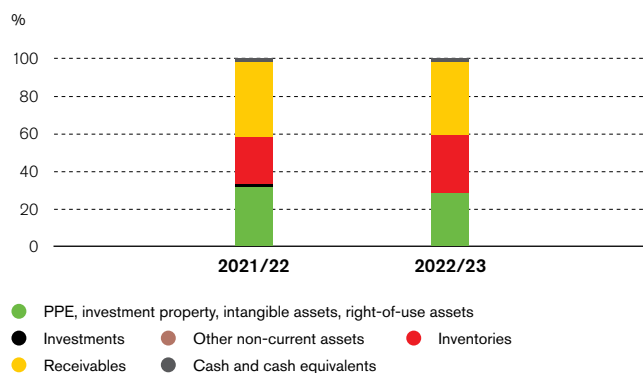
During the year, pre-tax profit increased to Rs. 1,326 million from Rs. 736 million by 80% due to increase in sales and gross margin. Income tax expenses for the period under review was Rs. 386 million vs Rs. 256 million in FY 2021/22. Effective from 1 November 2022, the Company and subsidiaries are liable for income tax at the rate of 30% (2022-24%, 18% and 14%) on taxable profits in accordance with the provisions of Inland Revenue Act No 24 of 2017.

During the year, the Group reported profit after tax (PAT) of Rs. 940 million vs Rs. 479 million in FY 2021/22 an increase of 96%.

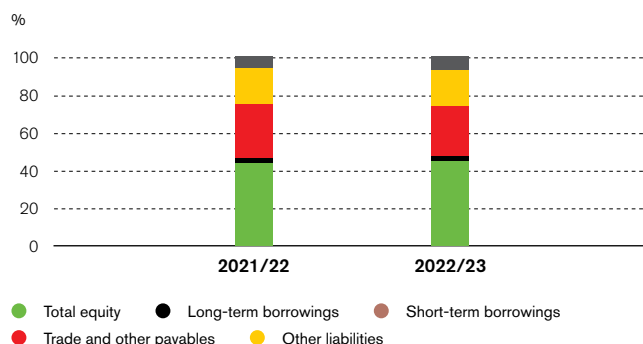
Group profit before tax and profit after tax ➤



Composition of assets ➤



Composition of liabilities ➤



Financial position ➤

The Group total assets increased to Rs. 9.3 billion an increased by Rs. 0.9 billion against 31 March 2022 as a result of increasing current assets by Rs. 1.1 billion due to increase of inventory and trade and other receivables compared to 31 March 2022. The asset composition is skewed towards current assets, which comprised 72.2% of total assets as of end of March 2023.

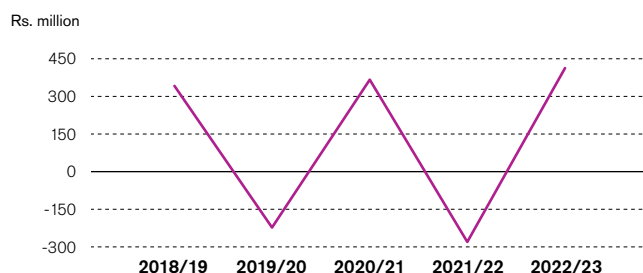
The Group's total liabilities consisted of 14% long-term liabilities and 86% current liabilities. Current liabilities increased from Rs. 4.0 billion to Rs. 4.4 billion due to growth in Trade and Other Payables and Interest-bearing short-term borrowings.

The Group's funding position remained relatively healthy, with 45% of total assets funded by equity. The Group's total equity increased by 14% to Rs. 4.1 billion, primarily due to an increase in profit in FY 2022/23 and the payment of a dividend of Rs. 360 million which was partially offset by the increase in total comprehensive income.

Cash flow ➤

During the year, the Group's cash flows and liquidity position increased, reflecting an overall improvement in operational activities. Net cash inflow from operating activities was Rs. 417 million, an increase over the previous year. Net cash flows used in investing activities was Rs. 57 million, mainly on purchase of property plant and equipment. Net cash flows used in financing activities was Rs. 366 million, mainly for the dividend payment of Rs. 360 million.

Net operating cashflow ➤

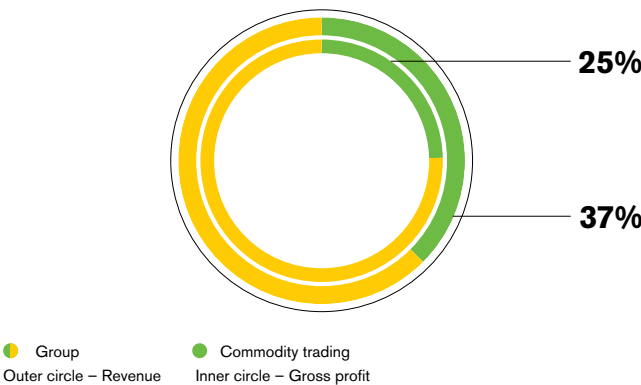


Business line review ▶

Commodity trading

Group traditional business arm which comprises of exporting rubber, desiccated coconut, spices and importing and supplying sugar to B2B business.

Commodity Trading – Overview ➤



Operating environment

Due to global recession and Russia – Ukraine war, some markets were directly and indirectly affected but Group successfully supplied overseas orders and strengthened overseas customer relationship. LKR depreciation favourably impacted terms of revenue and margin in export business. Supply of sugar was affected due to shortage of foreign exchange and increase of commodity prices in world market, but Group ensured undisrupted supply to long term B2B customers.

Performance in 2023

Shortage of foreign exchange and devaluation of LKR had positive sentiments to export arm but equally had negative sentiments to the sugar business. Sector reported Rs. 7,198 million net revenue which is an increased over FY 2021/22 by 30%. Sector reported 13% gross profit margin in FY 2022/23 vs 6.9% in FY 2021/22. Profit for the period was Rs. 394 million and Rs. 1,064 million assets base and Rs. 244 million liability base is accounted as at 31 March 2023.

Way forward

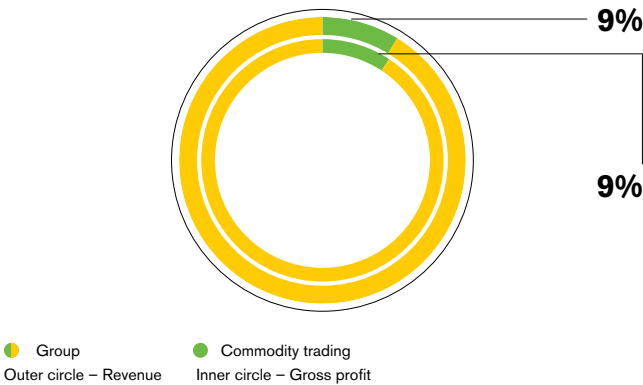
Commodity cluster will continue to focus on volume drive, cost efficiencies and exploring new markets and customers. Export Division will focus on keeping quality standards, strengthening long term relationship with existing customer base, exploring

new market opportunities, promoting spices and desiccated coconut products in addition to the traditional natural rubber exports. Subsidiary Kelani Valley Canneries Limited will actively pursue export opportunities. Further to that Division will more focus to supply natural rubber to local manufactures who are major export players in Sri Lanka. Sugar Division will focus to continue B2B business exploring new B2B customers and strengthening supply chain efficiencies to manage cost efficiencies and undisrupted supply to high volume B2B customer base. Commodity cluster performance is partially linked with macro-economic factors, especially foreign exchange rate and global commodity prices. This business unit expects moderate impact to commodity cluster performance due to foreign exchange fluctuations in FY 2023/24.

Rubber-based product manufacturing

Subsidiary companies Ceymac Rubber Company Limited and Ceytra (Private) Limited represents this segment on manufacture, export and local sale of moulded rubber products, technically specified rubber and export of plantation sole crepe rubber.

Rubber-based product manufacturing – overview ➤



Operating environment

Due to global recession and Russia–Ukraine war, some markets were directly and indirectly affected but Group successfully supplied overseas orders and strengthened overseas customer relationship. The Group focused on capacity expansion of manufacturing facilities, on investing in new machinery, repairing old machinery and revisiting production lines and investing on human capital to more focus on developing new products and marketing strategies. LKR depreciation was favourable in terms of revenue and margin in export business. Rubber products manufacturing business unit focused on strengthening its B2B local customer base.

Performance in 2023

The shortage of foreign exchange and devaluation of LKR had positive sentiments to these business units for both revenue and gross profit margin. This business unit reported Rs. 1,683 million net revenue which is an increase over FY 2021/22 by 70% and reported 21.3% gross profit margin in FY 2022/23 vs 7.5% in FY 2021/22. Profit for the period was Rs. 239 million and Rs. 1,384 million assets base and Rs. 467 million liability base is accounted as at 31st March 2023.

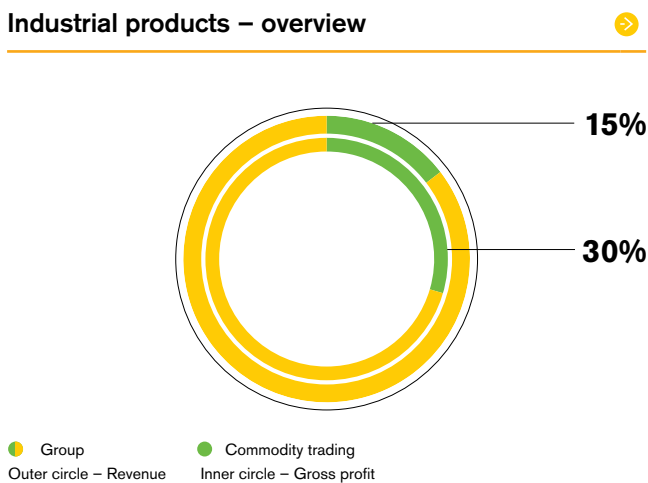
Way forward

This business unit will continue to focus on volume drive, cost efficiencies, product quality and exploring new markets and customers. Investment made on capacity enhancement and recruitment of new human capital is expected to pay dividends by way of increasing production volume, cost efficiencies, introducing new products and exploring new markets and corporate customers. Further to that division will focus more to supply technically specified rubber and specialized sole crepe rubber and work on product development for local export-based manufacturing giant companies to collaboratively develop export markets to gain volume drive. This business unit performance is partially linked with export market performance, macro-economic factors, and foreign exchange rate. The business unit expects moderate impact on its performance due to foreign exchange fluctuations in FY 2023/24.

Industrial products

It is comprised of three main business verticals segregated under the Refrigeration and Air Conditioning Division, Lightweight Machinery and Welding Electrodes Division and the Hempel Paints Division, capable of collectively developing turn key projects.

Industrial products – overview



Performance in 2023

This cluster had exceptional performance on revenue, gross margin, and pretax profit even though some large-scale projects were postponed during the year due to susceptible economic environment where as those projects are bread and butter business of the industrial product cluster. Sector performance is mainly dependent on product quality, industrial trust, cost efficiencies, logistic efficiencies and timely delivery of products and services to urgent needs. The supply chain is mainly depend on importation. Despite the susceptible economic environment this business units dominated its market leadership position by way of strengthening supply chain on timely decisions on increasing inventory levels and entering into new service and supply agreements with major industrial businesses. This business unit reported Rs. 2,805 million net revenue which is an increase over FY 2021/22 by 34% and reported 40.6% gross profit margin in FY 2022/23 vs 30.9% in FY 2021/22. Profit for the period was Rs. 366 million and Rs. 2,575 million assets base and Rs. 1,021 million liability base is accounted as of 31 March 2023.

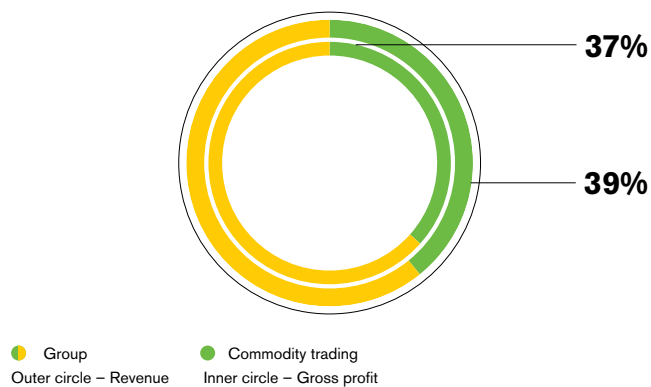
Way forward

The economy forecast for the year 2023 and beyond is an encouraging factor that it is expected to grow GDP, construction, and industrial segment of the economy after two volatile years. The segment is looking forward to reviewing a number of confirmed, large-scale projects that were postponed in the last two years resulting from the economic crisis. Further to that, well reputed international branded quality products range, and long-term supply relationships are key factors to grow the business. All these factors will bring good business opportunities in FY 2023/24. The segment has already entered into agreements to supply products to line-up building projects. Further to that the segment identified a number of new product categories in the industrial products sector to meet the evolving demands of our growing client base and is looking to introduce these during 2023/24. Due to importation-based business model, it is always open to the impact on foreign exchange fluctuations and segment expect lower impact on exchange fluctuation since cost impact would be passed on to the end customers as price level is already agreed in the industrial and construction industries.

FMCG cluster

The Group's main business arm which bring around 40% of Group revenue and business is structured to manufacture and trade fast moving consumer goods including well established house branded products under the brand name of "Scan", "KVC", "Kotagala Kahata" "Delish" and distributing our partner branded products of "Sunquick", "Scan Jumbo peanuts", "Wipro", "Himalaya", "S. C. Johnson & Sons" etc.

FMCG cluster – overview



Performance in 2023 ▶

The country's weakened macro-economic factors, significant rise in inflation, severe shortage in foreign exchange liquidity, significantly high market interest rate, sharp devaluation of LKR, social unrest, maintaining Inflationary pressures necessitating price level, increase of VAT rate to 15% and new introduction of Social Security Contribution Levy (SSCL) led to sluggish market conditions, adverse impact on disposable income and consumer sentiments. Overall, it was a challenging year for FMCG business unit. However, FMCG business unit overcame those macro-economic obstacles and carefully managed its business portfolio, gross profit margin, inherent business risk on collections, receivable exposure, cashflow, inventory and operational cost. Despite all these obstacles, FMCG Division reported a Rs. 7,522 million revenue which is an increase over FY 2021/22 by 64.9% and reported 18.8% gross profit margin in FY 2022/23 vs 18.7% in FY 2021/22. Profit for the period was Rs. 207 million and Rs. 3,486 million assets base and Rs. 2,313 million liability base is accounted as of 31 March 2023.

Way forward

The economy forecast for the year 2023 and beyond would be an encouraging factor that is expected to grow GDP in all main economic segments. Inflation and interest rates are forecasted to be at single digit level, and is expected to lower volatility of exchange rate in 2023/24. All these macro-economic variables will be favourable factors to consumer sentiments and disposable income will grow. Further to that, price levels will be lowered gradually, and business units will take an aggressive approach to penetrate the market via expanding customer touch points, supported by ATL and BTL promotions. The new products range introduced in FY 2022/23 is expected to mature in FY 2023/24. More focus will be given to managing operational costs and gross margin in FY 2023/24. It is expected to lead to lower risk exposure on exchange rate fluctuation, receivable management, and inventory management in FY 2023/24.



4.2

Human Capital

The local operating environment during the year in review was especially taxing from a human resource (HR) perspective. As the economy slowly recovered from the pandemic and the workforce regained their bearings coming out of hybrid work environments, the socioeconomic crisis of 2022 began to unravel.

The overspill of this impact on the living standards of Sri Lankans was felt across industries and businesses, who were suddenly competing against a mass exodus of qualified talent from the country.

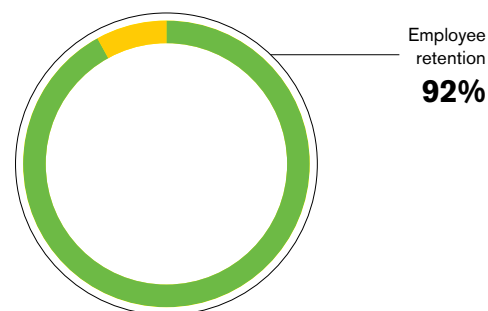
At C. W. Mackie PLC, we rapidly enhanced our employee-health centric work model from the pandemic period, to one that ensured our team of continued employment, engagement and empowerment, as many organisations across Sri Lanka declared staff layoffs, followed by recruitment freezes and budget cuts.

The HR operation remained centralised and digitally accessible, with HR business partners stationed at each of our manufacturing plants. The streamlined business functions across our three main operational clusters continued to ensure the capabilities and capacities of our 587-member strong team are fully optimised, while the Company's strong business performance relieved our team of additional pressures, leading them to be highly productive and innovative in a supportive work environment.

Workforce analysis >

	2022/23	2021/22	2020/21	2019/20	2018/19
Total number of employees	587	574	525	545	542
Total number of new recruits	149	160	79	144	115
Value added per employee (Rs. '000)	7,994	5,767	3,598	4,099	6,009

Retention rate (excluding field sales staff) – 2022/23 >

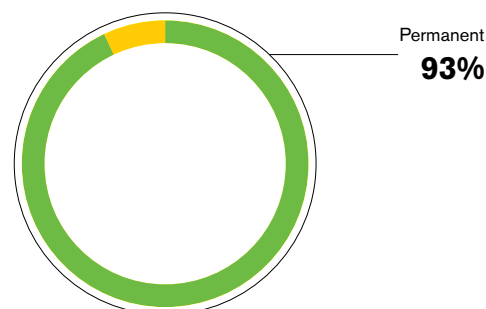


Total employees by grade, age and gender >

Age	Senior Leadership		Executive Management		Executive		Clerical	
	Male	Female	Male	Female	Male	Female	Male	Female
18-25	–	–	–	–	–	–	39	03
26-45	01	01	10	03	48	09	286	23
46-55	10	00	16	01	11	03	61	24
56-60	03	00	05	00	03	02	18	07
Total	14	01	31	04	62	14	404	57

Employees by type of contract ►

Type of Contract	Male	Female
Permanent	471	73
Contract	40	03
Total	511	76

Permanent employees**Attracting and retaining the best talent** ►

A strong corporate culture of diversity and inclusion has been imbued across all levels of the Company, in honouring our position as a highly-reputed and respected employer in Sri Lanka. C. W. Mackie PLC remains committed to ensuring that no discrimination by way of gender, race, religion or case is experienced across our employee life cycle; from recruitment and development to retention and retirement. We communicate our commitment towards nurturing an equitable, diverse and inclusive workforce in the HR Manual as well as the Policies of the Group.

Consequent of our commitment to attract and retain the best talent is our compensation package that consists of base salary, medical and other allowances, as well as variable pay (bonus and other incentives), which remained highly competitive and above industry standards.

Having increased the retirement age of employees from 55 to 60 years as per the Government's mandate during the previous reporting period, C. W. Mackie PLC retained around 300 team members in this age category by extending their retirement. Apart from the considerable restructuring of internal policies to accommodate this change, the HR Division was also responsible for strategically planning their recruitment during the reporting period, balancing the need to preserve the wealth of our accumulated institutional knowledge, and the need to hire fresh talent to cultivate new and innovative thinking. Over 50% of our employees have been with us for more than five years, a retention record that we are proud to hold.

Recruitment for the reporting period by grade, age and gender ►

Age	Senior Leadership		Executive Management		Executive		Clerical	
	Male	Female	Male	Female	Male	Female	Male	Female
18-25	–	–	–	–	–	–	47	03
26-45	–	–	–	–	10	–	73	08
46-55	02	–	–	–	–	–	02	–
56-60	01	–	01	–	–	–	01	01
Total	03	–	01	–	10	–	123	12

Our male to female employee ratio for the reporting period was 87:13, with an objective to improve female representation across all levels of the organisation, especially in top management and decision-making roles.

We also promote a healthy work-life balance by encouraging employees to take time off, offering annual, casual and maternal leave entitlements. Additionally, we compensate for unutilised sick and casual leave at the end of each year from 2022.

Maternity leave statistics during the reporting period ►

	2022/23	2021/22
Total number of employees entitled to maternity leave	51	43
Total number of employees who took maternity leave	01	02
Total number of employees who returned to work after maternity leave	01	02
Return to work rate	100%	100%

Enhancing the employee experience >

Creating a positive employee experience was a key priority for the HR division during the year in review. This was successfully achieved through a multi-pronged approach across a number of focus areas:

1. Digitalised HR management >

We migrated to our new, cloud-powered Human Resource Information System (HRIS) during the previous financial year, enabling us to leverage an extensive array of tools and streamlined processes to increase employee satisfaction and enhance their experience during the reporting period.

The HRIS ensures the effective management of our human capital at operational as well as tactical and strategic levels, with distinct modules and tools to focus on multiple HR functions; the automated payroll module was fully functional during reporting period, contributing to greater time and cost efficiencies. Reimbursements that were previously manually submitted and approved across a number of administrative layers also profited from the Benefits module of the new HRIS system, with an end-to-end digitalised process that eliminates all paper work. This has especially resulted in enhancing the employee experience among our field staff, who can now simply upload their expense statements from mobile devices remotely, followed by an expedited approval process.

The analytical insights and granular-level reports generated by the system, provide our HR division as well as our leadership team the necessary information for better development planning, forecasting, and making informed, data-backed decisions.

All employee information are updated through the Employee Life Cycle (ELC) module of the HRIS, which eliminates paper usage such as leave forms, payroll information and expenses, reimbursement documents etc.

2. Rewards and recognition >

C. W. Mackie PLC's well-established legacy spanning over a century is anchored to the equally long-standing dedication, commitment, and loyalty of our employees over the years. During the reporting period, we held our Annual Awards Gala. We also felicitated 07 employees who completed 25 years in the Company with Long-Service Awards, recognising and rewarding their loyalty to the Company.



Years of service >

Service Period	Male	Female	Total
0-5 years	266	26	292
6-15 years	151	32	183
16-25 years	66	12	78
25+ years	28	06	34

3. Investment in Capacity Building and development >

The diversified nature of our business requires the HR Division to analyse – through our HRIS – and identify skill gaps that need to be bridged by training and building capacities of our employees. The respective divisional heads are also requested to communicate the training needs of their teams according to business expansion requirements. The HR Division is then tasked with the responsibility to facilitate these trainings, tailored to meet the specified requirements.

In addition to the traditional technical training, the Company identified the successors at all levels to be developed and therefore, plan on organising an Executive People Leaders Development Programme (EPLDP) followed by an Executive Development Programme (EDP) in 2023/24.

Ethical business practices >

Despite the challenging socioeconomic conditions, we are proud to have sustained our untarnished record of industrial harmony for nine consecutive years; there were zero industrial disputes, strikes, and absenteeism due to labour disputes during the reporting period, as a result of the two-way collaborative process successfully running since inception.

C. W. Mackie PLC has maintained the minimum age of recruitment at 18 years, and does not employ individuals under the age of 18 across its offices and factories for any type of work.

Future outlook

In line with the Company's business expansion plans for the consequent financial year, the HR Division is looking at strategic talent acquisition based on specific business needs. As our technology infrastructure continues to evolve, digitalise and automate workflows and processes, our teams are afforded the time to collaborate and innovate new, progressive ideas and processes, thereby contributing towards the growth and evolution of our Company.

4.3

Social and Community Capital



Creating sustainable value for our stakeholders ▶

C. W. Mackie PLC is committed to creating and delivering sustainable value to key stakeholder groups that we have identified and engaged with over the past few decades of operation, each Group fundamental to our value creation process.

We strive as a Company to nurture long-lasting and mutually beneficial stakeholder partnerships, and it is this same, hard-earned and long-sustained social and relationship capital that afforded us the brand loyalty and endorsement, which in turn enabled us to face the unprecedented challenges during the reporting period. We continued to build goodwill and proactively engage with our key stakeholder groups, maintaining dialogues and strengthening ties by addressing their concerns, transparently communicating and working together to overcome the ground realities during the year in review. We value their feedback and incorporate it into our decision-making and strategic goal setting, ensuring our overarching business objectives are aligned with our stakeholder expectations.

Stakeholder engagement and analysis ▶

Key Stakeholder Groups	Stakeholder Expectations and Concerns	Channels for Communication	Measures taken by the Company
Customers - local and overseas, existing and potential: Customers are the primary source of our value creation; their consistent loyalty to our brands encourages us to grow and expand our business, and the confidence they place in our business empowers us to meet their expectations, and deliver on our promise of ethical business practices, product innovation, service quality and honest communication. The distinct expectations of multiple customer demographics have enabled us to tailor our trading business according to their unique requirements and market behaviour, with their feedback and opinions—sourced through surveys—playing a crucial role when developing our marketing messaging and sales strategies. Their loyalty is rewarded through promotions, sponsorships, discounts, and banded offers.	<ul style="list-style-type: none"> • Security of continued supply • Compliance with regulations • Product safety, quality and performance • Predictability • Availability, service and communication • Sustainable sourcing and ethical production standards (anti-corruption, ethical purchases, etc.) • Favourable terms and conditions • Development of new and improved products/ services • Market position and reputation 	<ul style="list-style-type: none"> • Customer meetings and continuous correspondence • One-on-one engagements when required • Company website • Marketing communication • Day-to-day operations • Technical support and site visits • Dealer and sales conventions • Management visits • Customer satisfaction surveys • Press releases and other media communications 	<ul style="list-style-type: none"> • Delivery agreements, preventive maintenance, long-term planning • Certifications of Compliance with guidelines • Policy reforms • Proactive communication • Innovation and new product development initiatives

Key Stakeholder Groups	Stakeholder Expectations and Concerns	Channels for Communication	Measures taken by the Company
<p>Shareholders and lenders:</p> <p>Shareholders play an important role in the financing, operations, governance and control aspects of our business, and remain one of the key stakeholder groups of C. W. Mackie PLC. Shareholders are investors in our business, and are therefore kept informed of all business developments and decisions as well as our performance year-on-year, giving due consideration to their feedback, and recognising their prerogative to exercise their rights in a timely and well-informed manner.</p> <p>We communicate with them through multiple channels transparently and consistently, ensuring clarity of disclosure aimed at facilitating the understanding of our mutual objective to maximise shareholder wealth.</p> <p>We also maintain cordial business relationships with our key financiers, earning their long-term trust, goodwill and confidence in our financial strength and stability. These lenders are provided with Company Financial Statements and business reports whenever required, with transparency in all financial disclosures.</p>	<ul style="list-style-type: none"> • Shareholder returns and dividends • Sustainability reporting • Good governance • Transparent and available information • Clear and consistent reporting on important and relevant factors • Quantitative goals • Business continuity 	<ul style="list-style-type: none"> • Annual general meetings • Extraordinary general meeting • Annual Report and Sustainability Report • Company website • Interim Financial Statements released to Colombo Stock Exchange (CSE) • Announcements by the CSE • Access through the Company Secretary to obtain clarification/express concerns about any aspect of the Company 	<ul style="list-style-type: none"> • Establishing relevant and quantifiable strategic goals • Sustaining business growth and financial stability • Timely disclosures of financial and non-financial performances • Ethical and responsible corporate conduct • Preparing and communicating policies and reforms • Communicating responsibilities • Communicating risks and opportunities
<p>Employees:</p> <p>Our employees are the greatest contributor to our business success, and our investment in their growth and development continues to be reflected in the growth and performance of our business. We ensure our employees remain empowered, encouraged and engaged within and across all business clusters, not only to positively influence our product and service standards, but to also increase productivity and efficiency, and reduce staff turnover. We maintain a policy of open communication with our teams at all levels, and are proud to maintain a record of zero labour disputes with a unionised workforce.</p> <p>More information on our Employees can be found in the Human Capital section of the Annual Report on page 53.</p>	<ul style="list-style-type: none"> • Empowering and safe work environment • Strong reputation • Management and employee participation • Compliance with employee rights • Good working terms and conditions • Qualified and competent workforce 	<ul style="list-style-type: none"> • Employee interviews • Staff meetings/ departmental meetings • Continuous interaction with trade unions • Whistle blowing policy • Employee surveys • Performance appraisals • Training and development • Interactive activities and programmes 	<ul style="list-style-type: none"> • Building the reputation as an equal opportunity employer • Succession planning • Internal and external communication measures • Competency mapping, evaluation, capacity building, and career progression • Rewards and recognition • Competitive compensation, benefits and incentives • Resuming annual employee engagement events and activities

Key Stakeholder Groups	Stakeholder Expectations and Concerns	Channels for Communication	Measures taken by the Company
Government authorities and regulators: We continue to maintain cordial relationships with the government and regulatory authorities, consistently communicating with updates on products, processes and activities to ensure compliance with all applicable statutes and regulations for the manufacturing/trading industry.	<ul style="list-style-type: none"> Compliance with laws and regulations Sustainability measures Comprehensive risk management preparedness Taxes and duties 	<ul style="list-style-type: none"> Regular meetings and correspondence Audits and controls Participation in national-scale/urgent environmental initiatives Submission of periodic returns/statements Communication via media channels 	<ul style="list-style-type: none"> Reporting on progress/sustainability reporting Transparency and availability Proactive dialogue and correspondence Compliance with statutory and regulatory requirements
Suppliers—overseas and local: Our supply chain is one that has been meticulously developed and benchmarked to international standards over the years, to meet the stringent, highest standards in quality expected from C. W. Mackie PLC and the highly competitive markets we serve. We ensure regulatory compliance across our procurement procedures and transactions, and continuously encourage our suppliers to obtain necessary certifications, and prioritise those who follow ethical business practices.	<ul style="list-style-type: none"> Pre-defined quality requirements/ security of supply/service level Predictability/long-term prospects, speed of payments, ability and punctuality Referrals Integrity 	<ul style="list-style-type: none"> Supplier meetings and on-site visits when required Negotiation dialogues Day-to-day operations Procurement procedures based on best practices Corporate events and sponsorships Annual report 	<ul style="list-style-type: none"> Enquiries with a description of requirements and scope On-time payment Selection on the basis of long-term prospects and market predictability Qualifying suppliers based on different certifications, quality, and code of conduct Procurement strategy
Communities: We build strong bonds within the communities in which we operate. We continued a number of flagship community projects during the year, and implemented several new community development projects to address pressing community challenges resulting from the country's economic crisis. The community development initiatives carried out by the Company are listed below.	<ul style="list-style-type: none"> Community development initiatives Philanthropic impact 	<ul style="list-style-type: none"> Continuous dialogue with community leaders and employees Continuous dialogue with Policy makers 	<ul style="list-style-type: none"> Creating employment opportunities Supporting the local economy and enriching livelihoods

Community development initiatives ►

1. According to the nature of the job role we recruited residents from adjoining communities, providing suitable and equitable employment in our factories, and a sustainable livelihood that can contribute directly to the further development of their communities.
2. Continued our decade-long flagships project of maintaining the Ward at the Horana Base Hospital, transforming a basic ward into a well-equipped unit that is able to meet the needs of patients, medical care providers, and hospital authorities.
3. Continued the maintenance of Ward 32 at the Colombo National Hospital, with the surgical ward now completely refurbished with new beds, linen and many other facilities for improved patient care.

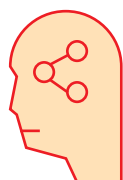


4.4

Intellectual Capital

Our evolving, increasingly sophisticated intellectual capital includes intangible assets that while not reflected on the balance sheet is a source of competitive advantage for C. W. Mackie PLC, driving future readiness, long-term business growth and sustainable value creation.

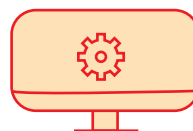
The intellectual capital of C. W. Mackie PLC comprises a number of vital attributes; the reputation and goodwill of the Company we have devotedly built with all stakeholders; the growing value of the brands we manufacture, sell and export; the unparalleled knowledge and trading expertise we have accumulated in over 100 years of operation; the trademarks, licenses and certifications we have obtained to conduct compliant and ethical business operations; the corporate culture we have nurtured and the innovative spirit we have imbued in our team; and the technology, systems and processes that equip us to face the rapid pace of industry and market evolution. All this in turn translates to economic value that we dutifully and proudly pass on to our shareholders.



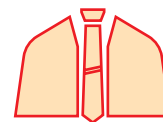
Tacit Knowledge



Brand Reputation



Technology, Systems and Processes



Corporate Culture

Tacit knowledge ➤

This is the wealth of industry-relevant insight and expertise we have accumulated over the years, and the extensive and wide ranging knowledge, skill sets, experiences and competencies that our people from the Board of Directors to our non-executives bring to the business. The members of the Board bring in immense experience and knowledge with specific acumen relevant to the business sectors the Company engages in. The specialist technical skills and experience we have fostered and disseminated across our manufacturing and trading operations remain distinctive and invaluable to C. W. Mackie PLC's knowledge repository, and affords us our greatest competitive advantage across both local and international markets.

We have leveraged our tacit knowledge to create sustainable value by maintaining a high retention record among our employees a healthy mix of long-serving as well as fresh talent. We retain, share and progress our knowledge base in line with evolving market needs through continuous investments in development and capacity building. We encourage collaboration, research and development (R&D), idea sharing and "smart failures" among employees in order to

promote a learning, progressive mindset within a supporting work environment, which has helped us aggressively expand our portfolios and operations.

Brand reputation ➤

As a long-standing Company and industry leader, C. W. Mackie PLC is anchored to a century strong brand legacy. Our integrity and ethical business practices complement the many time-honoured partnerships we have built over the years with local as well as world renowned international brands, becoming their trusted and sought after trading partner in Sri Lanka along multiple business verticals.

Our proprietary brands Scan, Scan jumbo peanuts, KVC and Kotagala Kahata, have gone on to successfully gain market share and strong brand loyalty among local consumers, founded upon the Company's enduring and trusted brand presence in the mind of generations of Sri Lankan consumers. This strong customer confidence in our brands has enabled us to introduce and trade new products across both local and international markets, directly contributing to driving sales numbers and sustainably increasing bottom-line growth across our business sectors (page 30 – Brand Portfolio).

We take great pride in the brand reputation we have built over the years, and demonstrate our accountability to the food, beverage and industrial products we manufacture at our facilities through trademark registration.

We further strengthen our brand reputes and reciprocate the trust placed in our brands by obtaining relevant accreditations and certifications required to meet the benchmarked local and international quality standards and systems that our stakeholders expect us to meet and maintain.

These include:



GMP–Good Manufacturing Practices, a system for ensuring that products are consistently produced and controlled according to quality standards.



ISO 9001: 2015–Quality Management Systems certification, a system to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.



ISO 14001: 2015–Environmental Management Systems certification, a system to identify and manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.



ISO 22000: 2018–Food Safety Management Systems Certification, a system that maps out how an organisation can demonstrate its ability to control safety hazards to ensure that food manufactured is safe.



SLS–Product quality standards certification as per the specifications of Sri Lanka Standards Institution.



HACCP–Hazard Analysis Critical Control Point, a systematic preventive approach to food safety from biological, chemical and physical hazards in production processes that can cause finished products to be unsafe and design measures to reduce these risks to a safe level.



Organic EU–Organic certificate for EU countries.



Organic USDA-NOP–is the National Organic Program by the Federal Regulatory Framework in the United States of America for governing organic food.



JAS–Japanese Agricultural Organic Standard, a regulatory framework in Japan governing organic food.



CDA–Coconut Development Authority certified as an exporter of coconut-based products.

We further strengthen our established reputation through brand association, by holding memberships of a number of organisations to establish the Group's adherence to industry standards and regulations:



The Ceylon Chamber of Commerce and a number of its international councils and associations



National Chamber of Commerce of Sri Lanka



The Employers' Federation of Ceylon



The Colombo Rubber Traders' Association



The Plastics and Rubber Institute of Sri Lanka



The Institute of Chartered Accountants of Sri Lanka

Our continued commitment to uphold our brand reputation during the reporting period resulted the Company being awarded the Merit Award for Sunquick BiBi #SizeIPrefer Campaign at the SLIM DIGIS 2.2 in 2022 and the Bronze Award in the Trading sector at CA Sri Lanka TAGS Awards 2022.



Technology, systems and processes ➤

The Group's investments in upgrading existing systems and implementing future ready technologies act as both a driver for sustainable business growth as well as a competitive advantage. Such disruptive technologies, systems and processes that form the backbone of our business operation continue to increase efficiencies and minimise operational overheads at a broader scale, thereby contributing directly to our bottom-line.

The digital transformation journey that began a few years ago with our financial and accounting systems being upgraded, followed by the implementation of our new Human Resource Information System (HRIS) that have resulted in elevated levels of productivity as well as employee satisfaction across the Company.

Digital transformation continued its steady pace with the implementation of the extensive Growth Strategy of the Scan Products Division (page 36 – Digital Transformation). The introduction of SAP Enterprise Resource Planning (ERP) software saw our major business functionalities being seamlessly streamlined by applying automation, integration and intelligence, enabling the Company to identify and rapidly react to new market opportunities. The cloud-based Sales Force Automation (SFA) allowed for greater resource optimisation across the entire Scan distribution operation, greatly improving operational efficiencies across our core competency. All new systems continued to analyse and generate new, insightful data and information that have been added to the Company's intellectual capital base, and are being successfully utilised at decision-making levels across the Sector.

The new financial year also holds great promise for the continued momentum of our digital transformation journey as well as the upgrades carried out across our systems and processes.

Corporate culture ➤

Our culture is collaborative and performance based. We encourage our teams to nurture and maintain integrity, good business ethics, and strong bonds of loyalty in a supportive, interactive work environment that promotes equal participation and zero discrimination. A number of Company wide events that were postponed or cancelled during the pandemic era were revived during the year in review, to encourage camaraderie while also improving employee morale during the economic crisis.

We have also instituted several initiatives that reward, recognise and motivate employees to achieve greater productivity and high performance. Our progressive corporate culture has enhanced the Company's brand image as a sought after employer, creating considerable corporate value and contributing to the growth and success of the Company.

4.5

Manufactured Capital



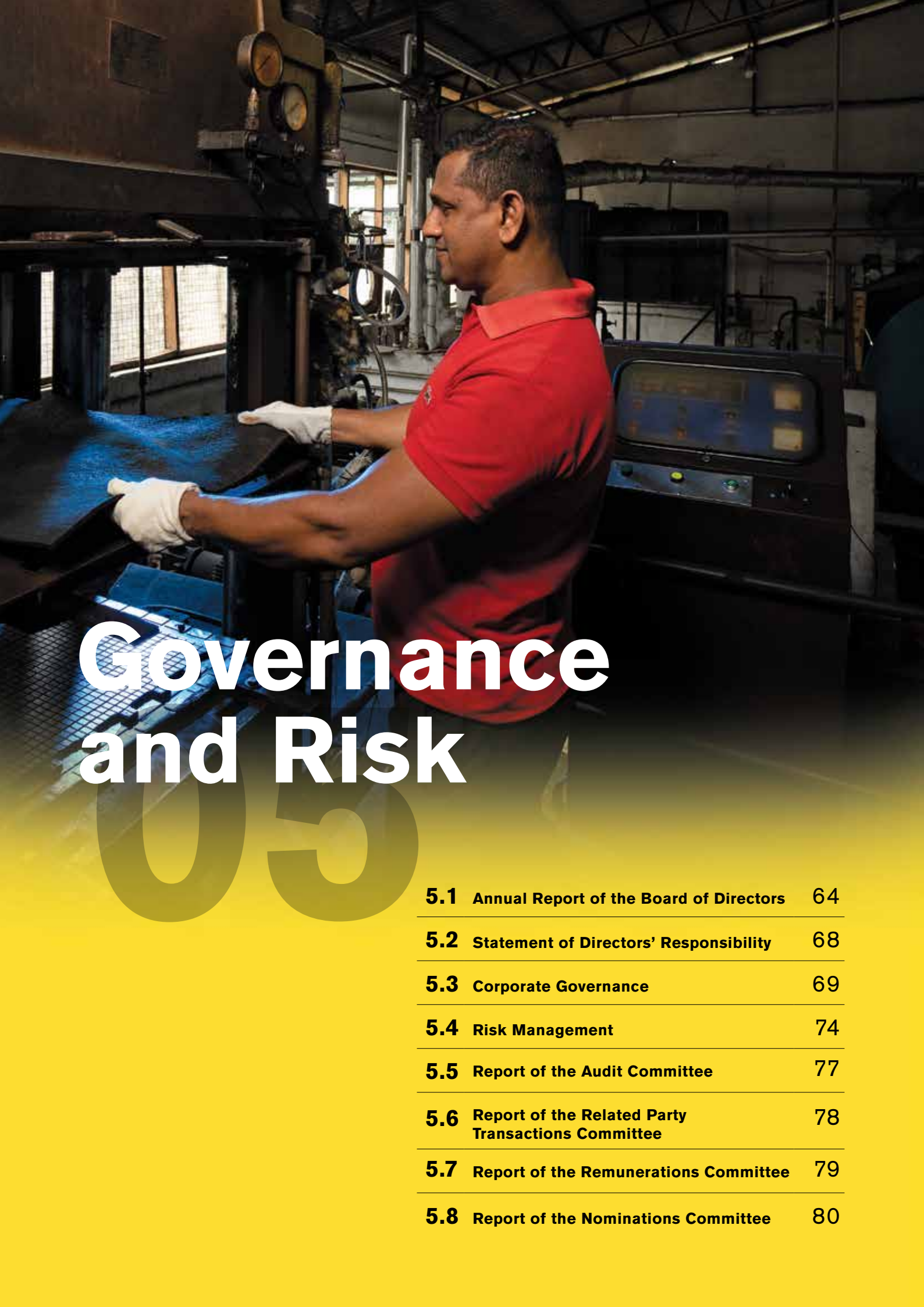
As at the end of FY 2022/23, C. W. Mackie PLC expended 62% of our capital expenditure on technologically advanced manufacturing facilities and machinery, to meet rapidly evolving market demands across our clusters, further strengthening our core competencies in manufacturing and trading.

The Group's Manufactured capital comprises of the fixed assets that contribute to the production process, excluding the production output itself. This includes the manufacturing facilities, machinery, equipment and leasehold land, which was valued at a total Rs. 121 million by the end of the reporting period.

Our investments in ultra-modern machinery and infrastructure conforms to all relevant manufacturing as well as environmental standards. Highly qualified, competent and experienced technical teams overseeing the operations to ensure optimum efficiency and capacity is achieved through strategic production planning. Upgrades are carried out in line with global production standards, with servicing schedules for the machinery in each plant following stringently regulated processes and procedures.

The Group operates a total of seven manufacturing facilities:

Manufacturing Facility	Nature of Production	
1. Scan Water Bottling Plant	Bottling of drinking water	<ul style="list-style-type: none"> The production facility uses Rinser, Filler and Capper Monoblocks designed to fill 500 ml, 1-litre and 1.5-litre standard sizes of bottled water. A separate line is set up to fill 5-litre and 19-litre bottles. The lines are operated independent of each other. A purification plant has also been set up to enable the Company to provide its consumers with water that meets local and international standards of quality.
2. Delish Manufacturing and Processing Plant	Manufacturing of baking ingredients	<ul style="list-style-type: none"> For the manufacture of jelly crystals, a Ribbon Mixer and a Multihead Weigher Packing machine are used in a fully automated line that includes a Vibratory Feeder and Bucket Elevator. The plant is also equipped with three weighing scales for weighing 50kg, 3kg and 320gr packs. Two band sealers are used in the final stages of the packaging process.
3. Scan Jumbo Peanut and Snack Manufacturing Facility	Processing and packaging of Scan Jumbo Peanuts and Snacks range	<ul style="list-style-type: none"> This latest facility uses a range of machinery including high efficiency Peanut Shellers, Sizing Shakers and De-stoners. Aspirators and Peanut Blanchers were also added to the production and processing line.
4. Ceymac Rubber Company Limited	Manufacturing of technically specified rubber (TSR) and sole crepe for export as well as domestic markets	<ul style="list-style-type: none"> The manufacturing lines use a perfected combination of specialised, purpose-built machinery, both imported from overseas and engineered locally. TSR is manufactured using plantation scrap rubber under a technology-intensive process that uses pre-cleaning machines with high water sprays, rubber breakers, a hammer mill, a hydraulic press, a soaking facility, and a slab cutter. All machinery is purpose-built. Several coagulating tanks and milling machines are used to manufacture the more expensive sole crepe rubber.
5. Sunquick Lanka (Private) Limited	Manufacturing, processing, trade of concentrates soft drinks and ambient ice products	<ul style="list-style-type: none"> Equipment utilised to produce fruit squash concentrate includes two manual filling machines and six-head automatic capping machine that produces bottles with 330 ml, 700 ml, and 840 ml capacity, as well as a separate two-liter automated canister line. For aseptic filling, the RTD plant uses a Tetra Pak TBA 19 filling machine, which can produce 7,500 packs per hour. It further utilizes a Tetra Pak cardboard packer, a Tetra Pak straw applicator, and an SPX pasteurizer.
6. Kelani Valley Canneries Limited (KVC)	Processing of fruits and vegetables	<ul style="list-style-type: none"> The facility was successfully upgraded from its first iteration of labour-intensive production process to a high-efficiency semi-automated filling line, resulting in increased production quantities.
7. Ceytra (Private) Limited	Manufacturing of moulded rubber products for export as well as domestic markets	<ul style="list-style-type: none"> The production facility uses a Kneader machine and heated rubber moulds to manufacture moulded rubber products out of natural and synthetic rubber.



Governance and Risk

5.1	Annual Report of the Board of Directors	64
5.2	Statement of Directors' Responsibility	68
5.3	Corporate Governance	69
5.4	Risk Management	74
5.5	Report of the Audit Committee	77
5.6	Report of the Related Party Transactions Committee	78
5.7	Report of the Remunerations Committee	79
5.8	Report of the Nominations Committee	80

5.1

Annual Report of the Board of Directors

For the financial year ended 31 March 2023

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 2023 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 13.

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

Review of operations ▶

A detailed review of business operations by the Chairman/Chief Executive Officer is given on pages 4 to 8.

Way forward ▶

During the year the Group focused on increasing the productivity, quality and output at its seven (7) manufacturing units spread across the island republic and thereby maximising every opportunity in the order book. The end result is reflected in the remarkable growth shown in operating income which is expected to be sustained in the foreseeable future.

Further information on the outlook for the future of the Group is provided in the Chairman/Chief Executive Officer's Review and the business overview 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 2023 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 2023 is Rs. 342,789,916.24.

The float adjusted market capitalisation of the Company falls under Option 2 of Rule 7.13 (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said Option.

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 152 and 153 and information relating to earnings, dividends and net assets per share is given in the Financial Highlights on page 18.

The twenty largest shareholders of the Company and details of public holding as at 31 March 2023 are indicated on page 153.

Finance ▶

Accounting policies

The Company prepared its Financial Statements according to Sri Lanka Accounting Standards (SLFRS/LKAS). All relevant applicable Standards have been followed in presenting the Financial Statements for the year ended 31 March 2023. 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	2023 Rs. '000	2022 Rs. '000
Revenue	19,207,748	13,163,499
Results from operating activities	2,146,965	808,468
Net financing income/(costs)	(655,402)	55,082
Share of joint venture's loss	(165,413)	(127,808)
Profit before taxation	1,326,150	735,742
Income tax expense	(385,932)	(256,438)
Profit for the year	940,218	479,304
Non-controlling interests	24,093	(12,524)
Profit attributable to equity holders	916,125	491,828

The Financial Statements of the Company and Group are set out on pages 86 to 146 of this Annual Report.

Dividend ➤

The Directors have authorised the distribution of a first and final dividend of Rs. 12/- per share for the financial year ended 31 March 2023 for approval by the Shareholders at the Annual General Meeting.

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

Reserves ➤

Group's total reserves as at 31 March 2023 amounted to Rs. 3,290.0 million (2022-Rs. 2,803.2 million). The movement of the reserves is given on page 88 under Statement of Changes in Equity and in Notes 21 and 22 to the Financial Statements.

Group revenue ➤

Group revenue was Rs. 19,207.7 million during the year under review (2022-Rs.13,163.5 million).

Donations ➤

The Directors have approved and made donations of Rs. 1,275,000/- (2022-Rs. 243,000/-) 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 28 to the Financial Statements.

Capital expenditure ➤

Group's capital expenditure on fixed assets and investments other than investments in subsidiaries during the year under review was Rs. 160.8 million (2022-Rs. 263.4 million).

Borrowings ➤

Group total borrowing was Rs. 2,705.6 million as at 31 March 2023 (2022-Rs. 2,644.6 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 21 and 22.

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, Mr. Hemaka Amarasuriya (upto 28 July 2022) and Mr. C. P. R. Perera (from 16 November 2022) 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 sixteen (16) 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. Hemaka Amarasuriya was appointed to the Board of the Company on 22 February 2011 and completed over twelve (12) years of continuous service as independent non-executive Director. The Board of the Company having taken into consideration all other circumstances listed in the Rules of the Listing Rules of the Colombo Stock Exchange pertaining to the criteria for defining independence is of the unanimous opinion that Mr. Hemaka Amarasuriya (Deputy Chairman from 1 January 2022) upto the date of being appointed Chairman/ Chief Executive Officer on 28 July 2022, is nevertheless independent. He took over this position from Mr. W. T. Ellawala who retired at the conclusion of the last Annual General Meeting on 28 July 2022.

Mr. C. P. R. Perera who was appointed to the Board on 16 November 2022 is a Director of the ultimate parent company, The Colombo Fort Land and Building PLC and serves on the Boards of several of its subsidiaries. The Board of the Company having taken into consideration all other circumstances listed in the Rules of the Listing Rules of the Colombo Stock Exchange pertaining to the criteria for defining independence is of the unanimous opinion that Mr. C. P. R. Perera is nevertheless independent.

Dr. T. Senthilvelu 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.

Mr. C. P. R. Perera retires in terms of Article 95 of the Articles of Association and being eligible, offers himself for re-election with the unanimous support of the Board of Directors.

As Mr. Hemaka Amarasuriya, Deshabandu A. M. de S. Jayaratne, Mr. C. P. R. Perera, Dr. T. Senthilvelu, Mr. A. Hettiarachchi and Mr. S. D. R. Arudpragasam are over the age of 70 years as at the date of the Annual General Meeting, their appointment as Directors of the Company require the approval of a resolution of the Company in general meeting. Notices dated 14 June 2023 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 156. The appointment of Mr. Hemaka Amarasuriya, Deshabandu A. M. de S. Jayaratne, Mr. C. P. R. Perera, Dr. T. Senthilvelu, Mr. A. Hettiarachchi and Mr. S. D. R. Arudpragasam 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 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 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 2023	Shareholding as at 1 April 2022
W. T. Ellawala (Chairman/CEO-up to 28 July 2022)	N/A	500
Hemaka Amarasuriya (Chairman/CEO-from 28 July 2022)	500	Nil
Ms. C. R. Ranasinghe	100	100
A. M. de S. Jayaratne	Nil	Nil
Anushman Rajaratnam	Nil	Nil
S. D. R. Arudpragasam	Nil	Nil
Dr. T. Senthilvelu	1,799,243	1,782,575
K. T. A. Mangala Perera	Nil	Nil
Sanjeev Rajaratnam	Nil	Nil
A. Hettiarachchi	Nil	Nil
E. A. A. K. Edirisinghe	19	19
C. P. R. Perera (from 16 November 2022)	Nil	N/A

Directors' responsibility for financial reporting ►

The Directors' responsibility for financial reporting is given on page 68.

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 69 and 73.

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 12.1 and 12.2 to the Financial Statements on pages 108 and 109.

Market value of properties >

Freehold lands of the Group, which are carried at cost, were re-valued by a professionally qualified independent valuer as at 31 March 2022, the Directors are of the opinion that the carrying values of the freehold lands 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 74 and 76.

Ratios and market price information >

Details of ratios and relevant market price information are disclosed under Financial Highlights on page 18.

Audit Committee >

The composition of the Audit Committee and their Report is given on page 77.

Related Party Transactions Review Committee >

The Related Party Transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee of the Company and are in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange.

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 2023.

The composition of the Related Party Transactions Review Committee and their Report is given on page 78.

Remuneration Committee >

The composition of the Remuneration Committee and their Report is given on page 79.

Nomination Committee >

The composition of the Nomination Committee and their Report is given on page 80.

Auditors >

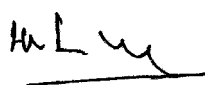
The Auditor's Report on the Financial Statements for the year under review is given on pages 82 to 85.

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. 4.0 million (2022 – Rs. 3.4 million) for the Company and Rs. 6.2 million (2022 – Rs. 5.3 million) for the Group, respectively and additionally for non-audit related work Rs. 0.1 million (2022 – Rs. 0.3 million) for the Company and Rs. 0.1 million (2022 – Rs. 0.4 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.

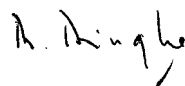
By Order of the Board



Hemaka Amarasuriya
Chairman/CEO



K. T. A. Mangala Perera
Executive Director



Ms. C. R. Ranasinghe
Company Secretary

Colombo
3 July 2023

5.2

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.

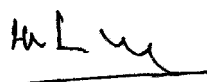
The Directors have provided the Auditors, KPMG, Chartered Accountants, with every opportunity to carry out reviews, tests and inspections that they consider appropriate and necessary to give their audit opinion. The opinion expressed by the Auditors appear on pages 82 to 85 of this Annual Report.

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.

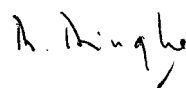
By Order of the Board



Hemaka Amarasuriya
Chairman/CEO



K. T. A. Mangala Perera
Executive Director



Ms. C. R. Ranasinghe
Company Secretary

Colombo
3 July 2023

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 88.37% 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, three Executive Directors and seven other Directors (Non-Executive and Independent/Non-Executive).

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 21 and 23 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, moving to digital platforms when necessary to enable participation by all/majority of Directors.

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's role

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

Financial and business acumen

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

Supply of information

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

Apart from regular meetings of the Board, meetings headed by Chairman/CEO with the Executive Directors, 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, recommendations of the Nomination Committee 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.

Re-appointment of Directors over the prescribed age is effected as per the requirements of the Companies Act No. 7 of 2007.

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 137.

Board Subcommittees ►

The Board Subcommittees have been set up with specific responsibilities to assist the Board in discharging its duties. The composition and scope of these Subcommittees are given below:

Name	Composition	Scope
Audit Committee (The Report is given on page 77)	<p>Consists of the two (2) Independent/Non-Executive Directors and a Non-Executive Director. The Committee is chaired by an Independent/Non-Executive Director. The Company Secretary functions as Secretary to the Audit Committee.</p> <p><i>Vide Rule 7.10.6(a) of the Listing Rules of the Colombo Stock Exchange, the Committee shall comprise a minimum of two independent/non-executive directors where the Company has only two directors on Board or of non-executive directors a majority of whom shall be independent, whichever is higher.</i></p> <p><i>Chairman of the Committee shall be a non-executive director appointed by the Board and a member of a recognised professional accounting body.</i></p>	<p>Empowered, <i>inter alia</i>, to review the adequacy and effectiveness of the internal control and risk management systems of the Group and its compliance with financial reporting requirements including Sri Lanka Accounting Standards (SLFRS/LKAS) and other related requirements.</p>
Related Party Transactions Review Committee (The Report is given on page 78)	<p>Consists of the two (2) Independent/Non-Executive Directors and two (2) Executive Directors. The Committee is chaired by an Independent/Non-Executive Director. The Company Secretary functions as Secretary to the Related Party Transactions Review Committee.</p> <p><i>Vide Rule 9.2.2 of the Listing Rules of the Colombo Stock Exchange, the Committee shall comprise a combination of non-executive directors and independent/non-executive directors and may also include Executive Directors at the option of the Company.</i></p> <p><i>Chairman of the Committee shall be an independent Non-Executive Director.</i></p>	<p>Ensure, <i>inter alia</i>, 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 provide independent review and oversight of all proposed Related Party Transactions under Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE Rules), other than those exempt, as may be defined from time to time under the CSE Rules.</p>

Name	Composition	Scope
Remuneration Committee (The Report is given on page 79)	<p>Consists of the two (2) Independent/Non-Executive Directors and a Non-Executive Director. One Independent/Non-Executive Director functions as the Chairman of the Committee. The Company Secretary functions as Secretary to the Remuneration Committee.</p> <p><i>Vide Rule 7.10.5 (a) of the Listing Rules of the Colombo Stock Exchange, the Committee shall comprise a minimum of two Independent/Non-Executive Directors where the Company has only two directors on Board of non-executive directors a majority of whom shall be independent, whichever is higher.</i></p> <p><i>Chairman of the Committee shall be a non-executive director appointed by the Board.</i></p>	<p>Provide recommendations to the Board of the remuneration levels of Chief Executive Officer, Executive Director/s, Group Management/Senior Executives based on a structured methodology in evaluating their performance annually.</p>
Nomination Committee (The Report is given on page 80)	<p>Consists of the two (2) Independent/Non-Executive Directors and a Non-Executive Director. The Committee is chaired by an Independent/Non-Executive Director. The Company Secretary functions as Secretary to the Nomination Committee.</p> <p><i>Vide Terms of Reference for Nomination Committees as mentioned in the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka, majority of the members of the Committee shall be non-executive directors and shall include at least one or one-third, whichever is higher, of independent/non-executive directors.</i></p> <p><i>Chairman of the Committee shall be an independent/non-executive director appointed by the Board.</i></p>	<p>Provide, <i>inter alia</i>, advice and recommendations on the appointment and the re-appointment of members to the Board of Directors and key management personnel of the Company, ensure that the Board has a diverse appropriate balance of skills and experience and consider the succession plan for the Chief Executive Officer and other key management personnel.</p>

Meetings and attendance ►

Attendance at Board Meetings and Board Sub-Committee Meetings are given below:

Name	Directorship	Attendance				
		Board Meetings	Audit Committee	Remuneration Committee	Related Party Transactions Review Committee	Nomination Committee
Mr. W. T. Ellawala	Chairman/CEO (upto 28 July 2022)	2/4	1/4	–	1/4	–
Mr. Hemaka Amarasuriya	Chairman/CEO (from 28 July 2022)	4/4	4/4	1/2	4/4*	1/1
Ms. C. R. Ranasinghe	Executive Director/ Company Secretary	4/4	–	–	–	–
Deshabandu A. M. de S. Jayaratne	Non-Executive/ Independent Director	4/4	4/4*	2/2*	4/4	1/1*
Mr. S. D. R. Arudpragasam	Non-Executive Director	3/4	–	2/2	–	1/1
Mr. Anushman Rajaratnam	Non-Executive Director	2/4	4/4	–	–	–
Dr. T. Senthilvel	Non-Executive Director	4/4	–	–	–	–
Mr. K. T. A. Mangala Perera	Executive Director	4/4	–	–	4/4	–
Mr. Sanjeev Rajaratnam	Non-Executive Director	2/4	–	–	–	–
Mr. A. Hettiarachchy	Non-Executive Director	4/4	–	–	–	–
Mr. E. A. A. K. Edirisinghe	Executive Director (from 1 April 2022)	4/4	–	–	–	–
Mr. C. P. R. Perera	Non-Executive/ Independent Director (from 16 November 2022)	2/4	1/4	1/2	1/4*	N/A

* Chairman of the Committee

Mr. Hemaka Amarasuriya – Chairman of the Committee – upto 28 July 2022

Mr. C. P. R. Perera – Chairman of the Committee – from 16 November 2022

Relationship with shareholders ➤

The Company has opened up several channels to ensure sound communication with the shareholders. The Chairman/CEO, the Executive Directors 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/CEO 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.
- Priority given to conduct the Annual General Meeting as a physical meeting.

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, stakeholders 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 86 to 146.

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 68.

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 64 to 67 of this Annual Report.

5.4

Risk Management

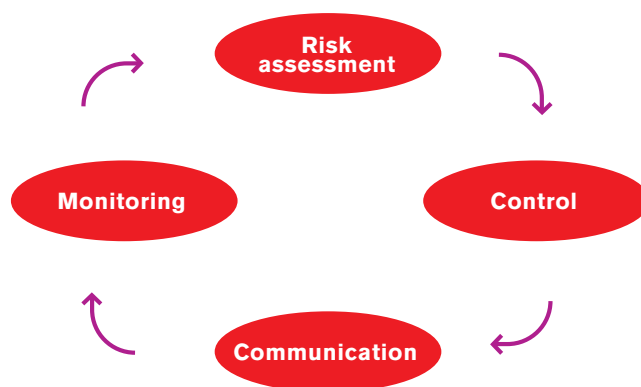
Our approach ▶

Risk management is a crucial part of the strategic management of C. W. Mackie PLC. Risk management is a complex process which involves a combination of premeditated decision making and ad-hoc decision making based on current market conditions or developments within the current financial year. However, in efficiently managing risks, the Company is responsible for assuring the achievement of the organisation's strategic and operational objectives, while maintaining effectiveness and efficiency, compliance with laws and regulations and reliable financial reporting.

The Management of the Company is responsible for risk management but the Board of Directors has overall responsibility, and the internal and external auditors also play critical roles. The Company reviews its strategies, processes, procedures and guidelines continuously to effectively identify, assess and respond to risks.

These measures ensure that the Company continues to provide sustainable returns to shareholders as well as meet its obligations to other stakeholders.

In a Group such as ours with a diversified portfolio of export, import and import- based manufacturing businesses, the risks are higher and bring with them a whole gamut of risk, which are at times high because it is more difficult to resolve issues due to currency depreciation, different systems of justice, language barriers and other areas of diversity. Imports too are accompanied by varied risks of foreign exchange, credit etc. We realise that If these potential risks are not identified and assessed before they occur, and managed and controlled if and when they do, we could incur heavy losses to our capital/earnings or to our reputation, or to both. This will affect our ongoing operations as well as continuity into the future.



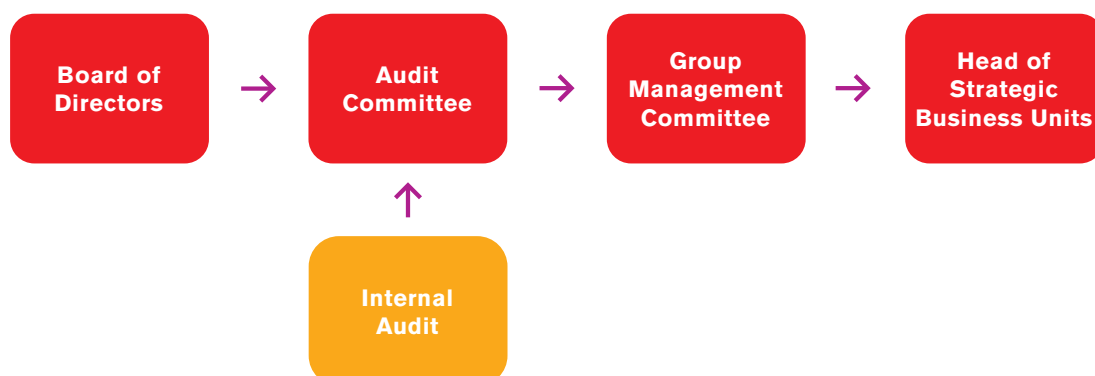
Risk focus ▶

The main focus of the Company's risk management process is adequate risk steering, as opposed to mere risk avoidance or minimisation. This system provides the basis for successful value-based management including the efficient allocation of capital and the optimisation of key performance measures through the consistent consideration of risk-return implications.

The Company adopts the four main strategies to manage risk, namely avoidance, acceptance, mitigation or transference, depending on the type of risk.

Governance of Risk Management ▶

The Group Management Committee, Board of Directors and Board Audit Committee work closely to ensure that risk management complies with the relevant standards. 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.



Risk factors ➤

Risk	Potential impact	Mitigation strategy						
Country's foreign currency liquidity Severe shortage in Sri Lanka's foreign currency reserves tempted continuous depreciation of the rupee, difficulties in opening letters of credit to facilitate imports and import restrictions	<ul style="list-style-type: none">• High import cost of materials• Increase freight rates• Incapable to meet customer demand on time	<ul style="list-style-type: none">• Local sourcing of some materials• Increase export market share• Use export inward remittances for imports• Extend buffer stock requirement						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>High</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	High	2022/23	High		
Year	Risk Rating							
2021/22	High							
2022/23	High							
Inflationary pressures Global recession, disruption in supply chains, the country's weakened macro-economic factors and sharp devaluation of LKR leads to a double-digit inflationary situation in the country	<ul style="list-style-type: none">• Businesses exerting pressure on costs and margins• Wage pressure• Price increases• Adverse impact on disposal income and consumer sentiments directly impacted to demand of products	<ul style="list-style-type: none">• Ensure that inflation is inbuilt into the pricing strategies sectors• Process re-engineering to address cost savings• Promotions and discounts						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>High</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	High	2022/23	High		
Year	Risk Rating							
2021/22	High							
2022/23	High							
Supply chain disruptions Entire distribution network collapsed due to fuel crises in the country.	<ul style="list-style-type: none">• Volumes are affected• Customer retention	<ul style="list-style-type: none">• Join online platforms						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>Low</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	Low	2022/23	High		
Year	Risk Rating							
2021/22	Low							
2022/23	High							
Credit risk Continues financial and economic crises in the country have deteriorated the customer's liquidity and creditworthiness.	<ul style="list-style-type: none">• Increase in impairment provisions• Debtor write-offs• Increase in cost of collection	<ul style="list-style-type: none">• Tighten credit management policies• Automate system to analyse customer payment patterns and behaviour• Maintain a sustainable relationship with customer• Increase bank guarantees on individual assessment of specific customers						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>Moderate</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	Moderate	2022/23	High		
Year	Risk Rating							
2021/22	Moderate							
2022/23	High							

Risk	Potential impact	Mitigation strategy						
Interest rate risk With a constrict monetary policy, interest rate was increased continuously.	<ul style="list-style-type: none">• Increase in net finance cost• Increase in cost of working capital	<ul style="list-style-type: none">• Continue negotiations with lending institutes for lower rates and extended facilities• Improve operating profit by way of improving margins and effective cost management• Improve working capital efficiency• Ensure that long and short-term funding are negotiated and sourced at low-interest rates						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>Moderate</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	Moderate	2022/23	High		
Year	Risk Rating							
2021/22	Moderate							
2022/23	High							
Human Resource Risk Due to the country's adverse tax systems and economic unrest, significant number of professionals and skilled employees are migrating or taking up overseas employment.	<ul style="list-style-type: none">• Retaining skilled and experienced staff is a challenge	<ul style="list-style-type: none">• More investment in training and leadership development• Offer more benefits, perks and salary increments on an annual basis to ensure that employees are both recognised and satisfied• Profit sharing annual bonus scheme• Appreciation of long-term service annually						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>Moderate</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	Moderate	2022/23	High		
Year	Risk Rating							
2021/22	Moderate							
2022/23	High							
IT Systems and Cyber Security Risk The majority of Group functions are IT system driven and backed by internet driven services. With the fast moving technology the risk of cyber security is very high.	<ul style="list-style-type: none">• System malfunctions may affect business continuity• Financial loss arising from cyberattacks and vulnerabilities• Potential loss of confidential data	<ul style="list-style-type: none">• Security operations, application installation and configuration are centrally controlled• Staff awareness and programmes are conducted on information security and on handling of sensitive information• Investments in advanced technology in cybersecurity software and infrastructure• IT sourcing from reputed and reliable vendors• Moving to cloud based storage						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>High</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	High	2022/23	High		
Year	Risk Rating							
2021/22	High							
2022/23	High							
Competition Every day, every minute the corporate world is changing. At any time a competitor can emerge as a substitute or a complement.	<ul style="list-style-type: none">• The competitive risk may refrain Group from achieving its target margins and market share	<ul style="list-style-type: none">• Continue efforts to develop new/ untouched markets and market segments• Focus on further diversification both horizontal and vertical• Continue competitor analysis						
<table><tr><th>Year</th><th>Risk Rating</th></tr><tr><td>2021/22</td><td>High</td></tr><tr><td>2022/23</td><td>High</td></tr></table>	Year	Risk Rating	2021/22	High	2022/23	High		
Year	Risk Rating							
2021/22	High							
2022/23	High							

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. Hemaka Amarasuriya (upto 28 July 2022)/Mr. C. P. R. Perera (from 23 November 2022) 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-upto 28 July 2022)/Mr. Hemaka Amarasuriya (Chairman/Chief Executive Officer of the Company-from 28 July 2022) and General Manager-Group Finance (upto 30 September 2022)/Chief Financial Officer (from 1 October 2022) 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 2023 the Audit Committee had four (4) meetings. The minutes of the Audit Committee meetings are circulated to the full Board of the Company.

Role of the Committee ▶

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

Financial reporting ▶

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

Internal audit, risks and control ▶

In view of the fact that the Company has adopted a risk-based approach, the effectiveness of the internal control procedures in place to identify and manage all significant risks are being reviewed by the Audit Committee. A Risk Management Framework assesses and measures all risks. The Audit

Committee seeks and obtains the required assurances from the Group Management Committee and the Internal Auditors on the remedial action in respect of the identified risks in order to maintain the effectiveness of internal control procedures in place.

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

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

External audit ▶

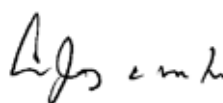
The Audit Committee has discussed with the External Auditors the scope and conduct of the annual audit.

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

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

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

The Audit Committee after evaluating the effectiveness of the independent performance of the External Auditors, has recommended to the Board of Directors that KPMG, Chartered Accountants, be re-appointed Auditors for the financial year ending 31 March 2024 at a remuneration to be determined by the Board, subject to the approval of the Shareholders at the Annual General Meeting.



A. M. de S. Jayaratne

Chairman

Board of Directors' Audit Committee

3 July 2023

5.6

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. Hemaka Amarasuriya (Chairman of the Committee upto 28 July 2022) /Mr. C. P. R. Perera (Chairman of the Committee from 23 November 2022) and Deshabandu A. M. de S. Jayaratne and Mr. W. T. Ellawala (Chairman/Chief Executive Officer of the Company upto 28 July 2022)/Mr. Hemaka Amarasuriya (Chairman/Chief Executive Officer of the Company from 28 July 2022) 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:

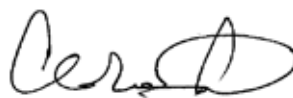
- (i) To ensure that every Related Party Transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and
- (ii) To ensure proper review, approval and disclosure of transactions between the Company and any Related 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 advice in the discharge of its functions.

During the financial year ended 31 March 2023, the Related Party Transactions Review Committee had four (4) meetings and Related Party Transactions for each quarter duly reviewed. 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 32.1.4 to the audited Financial Statements for the year ended 31 March 2023.



C. P. R. Perera

Chairman

Board of Directors' Related Party Transactions Review Committee

3 July 2023

5.7

Report of the Remuneration Committee

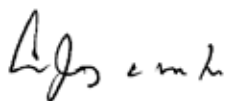
The Remuneration Committee of the Board of Directors of C. W. Mackie PLC consists of the two (2) Independent/Non-Executive Directors, viz. Deshabandu A. M. de S. Jayaratne (Chairman of the Committee), Mr. Hemaka Amarasuriya (upto 28 July 2022)/ Mr. C. P. R. Perera (from 23 November 2022) and Non-Executive Director, Mr. S. D. R. Arudpragasam. Mr. W. T. Ellawala (Chairman/Chief Executive Officer of the Company – upto 28 July 2022)/Mr. Hemaka Amarasuriya (Chairman/Chief Executive Officer of the Company-from 28 July 2022) 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 Chief Executive Officer, Executive Director/s, Group Management/Senior Executives based on a structured methodology in evaluating their performance annually. It is ensured that the remuneration at each level of management is competitive and based on performance, they are rewarded in a fair manner.

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

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



A. M. de S. Jayaratne

Chairman

Board of Directors' Remuneration Committee

3 July 2023

5.8

Report of the Nomination Committee

The Nomination 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. Hemaka Amarasuriya (upto 28 July 2022)/Mr. C. P. R. Perera (from 23 November 2022) and Non-Executive Director, Mr. S. D. R. Arudpragasam. Mr. W. T. Ellawala (Chairman/Chief Executive Officer of the Company-upto 28 July 2022)/Mr. Hemaka Amarasuriya (Chairman/Chief Executive Officer of the Company-from 28 July 2022) also participates by invitation and assists by providing relevant information during deliberations of the Committee. The Company Secretary functions as Secretary to the Nomination Committee.

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

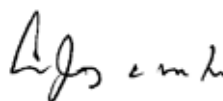
The scope of the Committee includes the following:

- Provide advice and recommendations on the appointment and the re-appointment of members to the Board of Directors.
- Consider the selection and appointment of a Chairman in case a vacancy arises.
- Periodic review of the structure, size, composition and competencies required of a Board member and make recommendations to the Board with regard to any changes.

- Provide advice and recommendations if so directed by the Board on the appointment of any key management personnel of C. W. Mackie PLC.
- Consider the succession plan for the Chief Executive Officer and other key management personnel.

The Nomination Committee meets as and when there is a necessity. During the financial year under review, the Committee met on one occasion.

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



A. M. de S. Jayaratne

Chairman

Board of Directors' Nomination Committee

3 July 2023



Financial Reports

6.1	Independent Auditor's Report	82
6.2	Statement of Profit or Loss and Other Comprehensive Income	86
6.3	Statement of Financial Position	87
6.4	Statement of Changes in Equity	88
6.5	Statement of Cash Flows	90
6.6	Notes to the Financial Statements	91

6.1 Independent Auditor's Report



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

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of C.W. Mackie PLC (the "Company"), and the consolidated Financial Statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, 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 86 to 146.

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 2023, 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.

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C.P. Jayatilake FCA	T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA
Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA	W.K.D.C. Abeyrathne FCA
S.T.D.L. Perera FCA	G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA
Ms. B.K.D.T.N. Rodrigo FCA	R.H. Rajan FCA	M.N.M. Shameel FCA
Ms. C.T.K.N. Perera ACA	A.M.R.P. Alahakoon ACA	Ms. P.M.K. Sumanasekara FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F. R. Ziyad FCMA (UK), FTII

Revenue Recognition

Refer to the accounting policies in "Note 3.15 to the Financial Statements: Revenue", "Note 05 to the Financial Statements: Revenue"

Risk Description	Our responses
<p>The Group revenue from sale of goods amounting to Rs. 19,207,748,000/- 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.</p> <p>In addition, the Group 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.</p> <p>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.</p>	<p>Our audit procedures included;</p> <p>Obtaining an understanding of the design, implementation and operating effectiveness of management's key internal controls in relation to recognition of revenue such as matching a sample of sales invoices recognised to sales orders and dispatch notes.</p> <p>Testing the operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Assessing the quantification of adjustments arising from management's revenue recognition assessment for compliance with SLFRS 15 during the year and disclosures for the same.</p>

Carrying Value of Inventories

Refer to the accounting policies in "Note 3.9 to the Financial Statements: Inventories", "Note 15 to the Financial Statements: Inventories"

Risk Description	Our responses
<p>As at the reporting date, the Group holds inventory of Rs. 2,884,524,000/-. The 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.</p> <p>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, the prevailing uncertain and volatile macro-economic environment 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 have a potential impact on the net realizable value adjustments.</p> <p>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.</p>	<p>Our audit procedures included;</p> <p>Attending stock counts as at the year-end. In addition, assessing the effectiveness of the physical count controls in operation at count location to identify damaged stocks, and expired stocks that are written off in a timely manner and evaluating the results of the other counts performed by the management throughout the period to assess the existence of inventory.</p> <p>Obtaining an understanding and assessing the design, implementation and operating effectiveness of the Group's key internal controls relating to the assessment of inventory valuation and inventory provisioning.</p> <p>On a sample basis, we have performed the following:</p> <p>Agreeing the cost of raw materials to third party supplier invoices;</p> <p>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;</p> <p>Evaluating the parameters and system accuracy of weighted average cost (WAC) calculated with the assistance of IT audit specialist.</p> <p>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;</p> <p>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.</p> <p>Where manual adjustments have been made to the provision, we have understood these by gaining supporting documentation.</p> <p>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.</p>

Allowance for Impairment losses of Trade Receivables

Refer to the accounting policies in "Note 3.10 to the Financial Statements: Impairment", "Note 16.1.1 to the Financial Statements: Trade receivables from related parties" and "Note 16.4 to the Financial statement: Trade receivables"

Risk Description	Our responses
<p>The Group has recognised trade receivable from related parties and trade receivables balances of Rs. 25,008,000/- and Rs.2,874,775,000/- as at 31 March 2023, after provision for impairment of Rs. 81,939,000/- and Rs. 120,235,000/- respectively.</p> <p>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), macro-economic scenarios including their weighting and judgments over the use of data inputs required.</p> <p>Allowance for impairment losses of trade receivables remains one of the most significant judgment made by the management particularly in light of the prevailing uncertain macro-economic outlook in Sri Lanka as at the reporting date.</p> <p>We identified Allowance for impairment losses 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 Allowance for impairment losses of trade receivables.</p>	<p>Our audit procedures included;</p> <p>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.</p> <p>Evaluating the completeness, accuracy and relevance of data used in preparation of the impairment provision.</p> <p>We have involved our FRM specialist to assess the reasonability of the adjustments made by the Group to the forward looking macro-economic factors and assumptions used in the ECL model.</p> <p>Challenging how management had assessed the impact of the prevailing uncertain macro-economic outlook within the ECL model to assess whether that it was appropriately considered in the measurement of ECLs at year end.</p> <p>Evaluating the adequacy of the Group's disclosures regarding the degree of judgments and estimation involved in arriving at the allowance for impairment losses of trade receivables.</p>

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. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Financial Statements does not cover the other information and we will 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 identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

4 July 2023

6.2 Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Revenue	5	19,207,748	13,163,499	17,478,659	12,086,938
Cost of sales		(15,347,619)	(11,204,985)	(14,048,327)	(10,263,536)
Gross profit		3,860,129	1,958,514	3,430,332	1,823,402
Other operating income	6	226,837	185,123	203,617	173,978
Distribution expenses		(888,492)	(607,152)	(845,941)	(579,670)
Administrative expenses		(1,051,509)	(728,017)	(967,848)	(642,344)
Results from operating activities	7	2,146,965	808,468	1,820,160	775,366
Finance income		13,454	232,495	44,001	252,643
Finance costs		(668,856)	(177,413)	(615,454)	(144,976)
Net financing income/(costs)	8	(655,402)	55,082	(571,453)	107,667
Share of joint venture's loss	14.2.1	(165,413)	(127,808)	(165,413)	(127,808)
Profit before taxation		1,326,150	735,742	1,083,294	755,225
Income tax expense	9.1	(385,932)	(256,438)	(327,277)	(244,123)
Profit for the year		940,218	479,304	756,017	511,102
Other comprehensive income/(expense) net of income tax					
Items that will not be reclassified to profit or loss					
Revaluation of land	12.1, 12.2	–	534,711	–	191,851
Actuarial gain/(loss) on defined benefit plans	26.6	1,858	76,784	(387)	50,251
Share of other comprehensive expense of equity accounted investee	14.2.1	1,866	209	1,866	209
Related taxes on other comprehensive income	28	(73,969)	(133,975)	(17,510)	(33,984)
Other comprehensive income/(expense) for the year, net of tax		(70,245)	477,729	(16,031)	208,327
Total comprehensive income for the year		869,973	957,033	739,986	719,429
Profit/(loss) attributable to:					
Equity holders of the parent		916,125	491,828	756,017	511,102
Non-controlling interests		24,093	(12,524)	–	–
Profit for the year		940,218	479,304	756,017	511,102
Total comprehensive income/(expense) attributable to:					
Equity holders of the parent		846,753	962,301	739,986	719,429
Non-controlling interests		23,220	(5,268)	–	–
Total comprehensive income for the year		869,973	957,033	739,986	719,429
Basic earnings per share (Rs.)	10	25.46	13.67	21.01	14.20
Dividend per share (Rs.)	11	10.00	7.00	10.00	7.00

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related notes, which form an integral part of the Financial Statements set out on pages 91 to 146.

Statement of Financial Position **6.3**

As at 31 March	Note	Group		Company	
		2023	2022	2023	2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets					
Non-current assets					
Property, plant and equipment	12.1,12.2	1,816,921	1,757,724	679,502	666,353
Investment property	12.4	659,293	766,995	4,783	9,582
Intangible assets	12.5	8,481	10,735	8,408	10,634
Right-of-use asset	12.6	97,856	74,979	97,856	74,692
Investments in subsidiaries	13	–	–	921,518	931,518
Investment in joint venture	14	–	163,547	–	163,547
Deferred tax assets	28.1	9,395	9,395	–	–
Total non-current assets		2,591,946	2,783,375	1,712,067	1,856,326
Current assets					
Inventories	15	2,884,524	2,082,247	2,626,034	1,852,894
Trade and other receivables	16	3,638,052	3,246,496	3,386,141	3,079,417
Interest bearing short-term loans to related parties	17	–	111,302	–	111,302
Cash and cash equivalents	19	197,856	181,752	161,722	132,940
Total current assets		6,720,432	5,621,797	6,173,897	5,176,553
Total assets		9,312,378	8,405,172	7,885,964	7,032,879
Equity and liabilities					
Equity					
Stated capital	20	507,047	507,047	507,047	507,047
Capital reserves	21	672,883	746,852	206,820	224,214
Revenue reserves	22	2,617,157	2,056,321	2,789,468	2,391,974
Equity attributable to equity holders of the Parent Company		3,797,087	3,310,220	3,503,335	3,123,235
Non-controlling interests	23	351,742	328,522	–	–
Total equity		4,148,829	3,638,742	3,503,335	3,123,235
Liabilities					
Non-current liabilities					
Long term borrowings	24.2	188,905	239,995	59,824	78,454
Lease payable after one year	25.1	63,815	52,154	63,815	52,154
Retirement benefit obligation	26	50,335	50,233	21,301	22,100
Deferred income/revenue	27.1	417	706	–	–
Deferred tax liability	28.1	425,914	336,731	138,972	131,272
Total non-current liabilities		729,386	679,819	283,912	283,980
Current liabilities					
Deferred income/revenue	27.1	288	338	–	–
Current portion of long term borrowings	24.2	52,548	65,769	20,088	21,546
Lease payable within one year	25.2	30,400	24,232	30,400	24,026
Interest bearing short-term borrowings	29	2,152,140	2,066,793	2,022,140	1,920,793
Income tax payable	30	194,659	107,672	164,695	108,000
Trade and other payables	31	1,786,319	1,626,161	1,701,401	1,389,739
Bank overdrafts	19	217,809	195,646	159,993	161,560
Total current liabilities		4,434,163	4,086,611	4,098,717	3,625,664
Total liabilities		5,163,549	4,766,430	4,382,629	3,909,644
Total equity and liabilities		9,312,378	8,405,172	7,885,964	7,032,879
Net assets value per share (Rs.)		105.51	91.98	97.35	86.78

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 91 to 146.

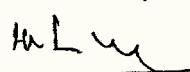
I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



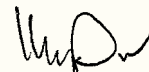
L. Yatiwella
Chief Financial Officer

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

The Financial Statements on pages 86 to 146 were approved by the Board of Directors and were signed in Colombo on 3 July 2023 on its behalf by:



H. D. S. Amarasuriya
Chairman/CEO



K. T. A. Mangala Perera
Executive Director

6.4 Statement of Changes in Equity

For the year ended 31 March 2023

Group	Note	Attributable to equity holders of the Parent Company						Non-controlling interests	Total
		Stated capital Rs. '000	Capital reserve Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000		
Balance as at 1 April 2021		507,047	8,734	353,485	7,000	1,723,573	2,599,839	333,790	2,933,629
Total comprehensive income/(expense) for the year									
Profit/(loss) for the year		–	–	–	–	491,828	491,828	(12,524)	479,304
Other comprehensive income, net of tax		–	–	384,633	–	85,840	470,473	7,256	477,729
Total comprehensive income/(expense) for the year		–	–	384,633	–	577,668	962,301	(5,268)	957,033
Contributions by and distributions to equity holders									
Dividend	11	–	–	–	–	(251,920)	(251,920)	–	(251,920)
Total distributions to equity holders		–	–	–	–	(251,920)	(251,920)	–	(251,920)
Balance as at 31 March 2022		507,047	8,734	738,118	7,000	2,049,321	3,310,220	328,522	3,638,742
Balance as at 1 April 2022		507,047	8,734	738,118	7,000	2,049,321	3,310,220	328,522	3,638,742
Total comprehensive income/(expense) for the year									
Profit for the year		–	–	–	–	916,125	916,125	24,093	940,218
Other comprehensive income/(expense), net of tax		–	–	(73,969)	–	4,597	(69,372)	(873)	(70,245)
Total comprehensive income/(expense) for the year		–	–	(73,969)	–	920,722	846,753	23,220	869,973
Contributions by and distributions to equity holders									
Dividends	11	–	–	–	–	(359,886)	(359,886)	–	(359,886)
Total distributions to equity holders		–	–	–	–	(359,886)	(359,886)	–	(359,886)
Balance as at 31 March 2023		507,047	8,734	664,149	7,000	2,610,157	3,797,087	351,742	4,148,829

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 91 to 146.

For the year ended 31 March 2023

Company	Note	Stated capital Rs. '000	Capital reserve Rs. '000	Revaluation reserve Rs. '000	General reserve Rs. '000	Retained earnings Rs. '000	Total Rs. '000
Balance as at 1 April 2021		507,047	14,909	63,498	7,000	2,063,272	2,655,726
Total comprehensive income for the year							
Profit for the year		–	–	–	–	511,102	511,102
Other comprehensive expense, net of tax		–	–	145,807	–	62,520	208,327
Total comprehensive income for the year		–	–	145,807	–	573,622	719,429
Contributions by and distributions to equity holders							
Dividend	11	–	–	–	–	(251,920)	(251,920)
Total distributions to equity holders		–	–	–	–	(251,920)	(251,920)
Balance as at 31 March 2022		507,047	14,909	209,305	7,000	2,384,974	3,123,235
Balance as at 1 April 2022		507,047	14,909	209,305	7,000	2,384,974	3,123,235
Total comprehensive income/(expense) for the year							
Profit for the year		–	–	–	–	756,017	756,017
Other comprehensive income/(expense), net of tax		–	–	(17,394)	–	1,363	(16,031)
Total comprehensive income/(expense) for the year		–	–	(17,394)	–	757,380	739,986
Contributions by and distributions to equity holders							
Dividends	11	–	–	–	–	(359,886)	(359,886)
Total distributions to equity holders		–	–	–	–	(359,886)	(359,886)
Balance as at 31 March 2023		507,047	14,909	191,911	7,000	2,782,468	3,503,335

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 91 to 146.

6.5 Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cash flows from operating activities					
Profit before taxation		1,326,150	735,742	1,083,294	755,225
Adjustments for:					
Depreciation and amortisation of investment property, intangible assets and property, plant and equipment		147,863	143,714	113,281	109,502
Profit on disposal of property, plant and equipment	6	(12,662)	(210)	(12,534)	(127)
Write-off of property, plant and equipments	12.1, 12.2	–	35	–	35
Share of joint venture's loss	14.2.1	165,413	127,808	165,413	127,808
Provision for retirement benefit obligation	26.6	14,846	23,814	8,708	15,680
Finance income	8.2	(13,454)	(14,558)	(44,001)	(22,544)
Finance costs	8.1	644,372	177,413	556,680	144,976
Unrealised profit/(loss) on inventory		(1,042)	12	–	–
Provision for slow moving inventories	15.1	130,565	74,758	129,065	73,395
Reversal of market return provision		(12,400)	–	(12,400)	–
Provision for impairment of trade receivables	16.4	16,442	55,583	16,048	54,179
Provision for other receivables	16.6.1	–	8,199	–	8,199
Provision for impairment of investment in subsidiary	13.1	–	–	10,000	–
Provision for impairment of receivables from related parties	16.2.1	30,896	–	30,896	–
Operating profit before working capital changes		2,436,989	1,332,310	2,044,450	1,266,328
Changes in working capital					
Change in inventories		(931,800)	(232,815)	(902,205)	(153,400)
Change in trade and other receivables		(438,894)	(503,890)	(353,668)	(564,839)
Change in interest bearing short-term loans to related parties		111,302	88,698	111,302	88,698
Change in trade and other payables		172,558	(637,668)	324,062	(567,254)
Change in deferred income/revenue		(339)	(711)	–	–
Cash generated from operating activities		1,349,816	45,924	1,223,941	69,533
Interest paid		(636,220)	(166,667)	(548,538)	(134,285)
Payments to gratuity fund	26.5	(12,886)	(13,357)	(9,894)	(10,333)
Income tax paid	30	(283,731)	(151,349)	(280,392)	(151,349)
Net cash flows from/(used in) operating activities		416,979	(285,449)	385,117	(226,434)
Cash flows from investing activities					
Purchase of property, plant and equipment		(160,834)	(263,508)	(93,664)	(189,619)
Proceeds from disposal of property, plant and equipment		14,017	254	13,889	171
Proceeds from disposal of investment properties		89,758	–	–	–
Net cash flows used in investing activities		(57,059)	(263,254)	(79,775)	(189,448)
Cash flows from financing activities					
Long-term borrowings obtained/(repayment)	24	(64,311)	167,749	(20,088)	8,370
Short-term borrowings obtained		81,002	771,729	97,002	759,729
Lease rental paid	25.4	(36,238)	(38,287)	(36,022)	(37,916)
Interest received	8.2	13,454	14,558	44,001	22,544
Dividend paid	11	(359,886)	(251,920)	(359,886)	(251,920)
Net cash flows (used in)/from financing activities		(365,979)	663,829	(274,993)	500,807
Net changes in cash and cash equivalents					
Net changes in cash and cash equivalents		(6,059)	115,126	30,349	84,925
Cash and cash equivalents at beginning of the year		(13,894)	(129,020)	(28,620)	(113,545)
Cash and cash equivalents at the end of the year	19	(19,953)	(13,894)	1,729	(28,620)

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 91 to 146.

Notes to the Financial Statements **6.6**

1. Reporting entity >

1.1 Domicile and legal form

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

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

1.2 Principal activities and nature of operations

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

1.3 Ultimate parent enterprise

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

2. Basis of preparation >

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Rounding

The amounts in the Financial Statements have been rounded-off to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on "Presentation of Financial Statements" (LKAS 1).

2.5 Use of estimates and judgements

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Group's Financial Statements is included in the respective notes.

2.6 Going Concern

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

In determining the basis of preparing the Financial Statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing uncertain and volatile macro-economic environment, its impact on the Group companies and the appropriateness of the use of the going concern basis.

Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

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 and disclosures

Several other amendments and interpretations apply for the first time in 2022/23, but do not have a material impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3.2 Basis of consolidation

The consolidated Financial Statements encompass the Company and its subsidiaries (together referred to as the "Group"). Subsidiaries are disclosed in Note 13 to the Financial Statements.

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 Property (Private) Limited are prepared for a common financial year, which ends on 31 March. Sunquick Lanka Property (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 recognise an impairment loss on its investment in its equity accounted investee.

The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in "share of losses of an equity accounted investee" in the Income Statement.

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

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

3.3 Foreign currency translations

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

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

3.4 Financial instruments

3.4.1 Recognition and initial measurement

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

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

3.4.2 Classification and subsequent measurement

3.4.2.1 Financial assets

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

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

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

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Group may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(a) Business model assessment

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

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

Transfers of financial assets to third parties in transactions that do not qualify for 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

3.4.2.2.1 Classification, subsequent measurement and gains and losses

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

3.4.3 Derecognition

3.4.3.1 Financial assets

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

3.4.3.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to 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 2022, 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 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	3-5 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 in accordance with LKAS 16 – “Property, Plant Equipment”.

Depreciation is provided on a straight-line basis over the estimated life of 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.
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3.6.3 De-recognition

An investment property shall be de-recognised 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
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3.8 Leased assets

(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 recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.9 Inventories

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

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

3.10 Impairment

3.10.1 Financial assets

3.10.1.1 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 recognised 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 amortisation, if no impairment loss had been recognised.

Write-off

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

Financial assets measured at amortised cost	<p>The Group considered evidence of impairment for these assets at and 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.</p> <p>When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amount was written off. If the amount of impairment loss subsequently de-recognised 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.</p>
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3.10.2 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.

3.11 Provisions

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

3.12 Employee benefits

3.12.1 Defined contribution plans

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

Mercantile Service Provident Society Fund

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

Employees' Provident Fund

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

Employees' Trust Fund

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

3.12.2 Defined benefit plans

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

Retiring gratuity

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

Provision for retirement benefit obligation on the employees of the Group is on an actuarial basis using the Projected Unit Credit Method (PUC Method) as recommended by LKAS 19, “Employee Benefits”. The Group continues to use actuarial method under Sri Lanka Accounting Standard 19, “Employee Benefits”.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognised immediately in profit or loss. The Group recognise gain and losses on the settlement of the defined benefit plan when the settlement occurs.

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.

3.13 Commitments and contingencies

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

Contingencies and capital commitments of the Group are disclosed in Note 34 and 35 respectively to the Financial Statements.

3.14 Events after the reporting period

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

3.15 Revenue

3.15.1 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: Recognise revenue when (or as) the entity satisfies a performance obligation.

3.15.2 Rendering of services

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

3.15.3 Other income

Lease rental income

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

3.16 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.

3.17 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.

3.17.1 Finance income and finance costs

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

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

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

3.17.2 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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes and therefore accounted for these under LKAS 37-"Provisions, Contingent Liabilities and Contingent Assets".

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.

3.18 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.

3.19 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.

3.20 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.

3.21 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.

3.22 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. Effective of accounting standards issued but not yet effective ➤

A number of new standards are effective for annual periods beginning after 1 April 2022 and earlier application is permitted. However, the Group has not early adopted the new and amended standards in preparing these Consolidated Financial Statements.

4.1 Deferred tax related to assets and liabilities arising from a single transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

4.2 Other standards

The following new and amended standards are not expected to have a significant impact on the Financial Statements.

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to LAKS 8)

5. Revenue ➤

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Gross Revenue	20,735,963	13,838,279	18,931,326	12,738,305
Less:				
Trade and free issues	(211,883)	(169,956)	(198,102)	(169,956)
Turnover related taxes	(1,316,332)	(504,824)	(1,254,565)	(481,411)
Net revenue	19,207,748	13,163,499	17,478,659	12,086,938

Turnover related taxes includes Value Added Tax (VAT) and Social Security Contribution Levy (SSCL).

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), desiccated coconut, non traditional spices and sugar trading.

– 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.

– Fast Moving Consumer Goods (FMCG)

Manufacture and trading of consumer goods.

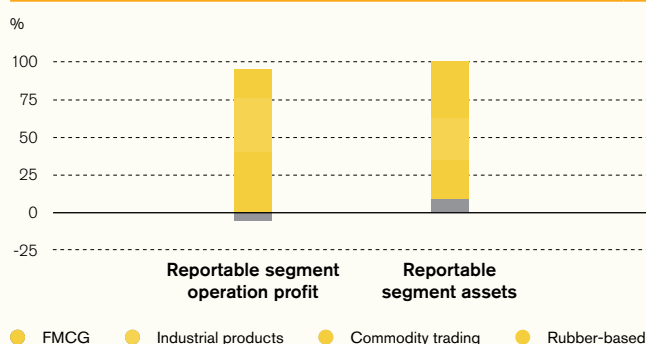
– Other

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

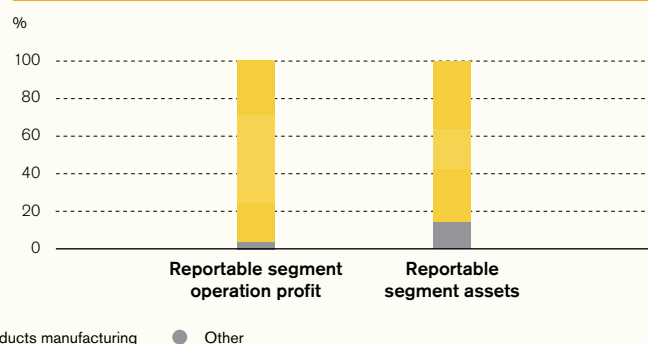
For the year ended 31 March 2023 Business segments Group	Commodity trading Rs. '000	Rubber-based products manufacturing Rs. '000	Industrial products Rs. '000	FMCG Rs. '000	Other Rs. '000	Consolidated Rs. '000
Total revenue	7,251,865	1,741,524	2,807,335	7,841,075	–	19,641,799
Inter-segment revenue	(53,774)	(58,998)	(2,102)	(319,177)	–	(434,051)
Revenue from external customers	7,198,091	1,682,526	2,805,233	7,521,898	–	19,207,748
Segment gross profit	950,136	358,072	1,140,523	1,411,398	–	3,860,129
Operating overheads	(281,848)	(44,815)	(262,945)	(897,195)	(274,047)	(1,760,850)
Depreciation and amortisation	(9,557)	(12,690)	(23,160)	(70,528)	(31,928)	(147,863)
Contribution to defined benefit plan for gratuity	(1,743)	(5,099)	(1,741)	(3,651)	(2,612)	(14,846)
Provision/(reversal) for impairment of trade debtors	(1,200)	506	(8,598)	(7,150)	–	(16,442)
Other operating income	12,503	11,546	8,100	19,764	174,924	226,837
Results from operating activities	668,291	307,520	852,179	452,638	(133,663)	2,146,965
Finance income	1,787	180	–	224	11,263	13,454
Finance costs	(103,415)	(18,229)	(295,046)	(161,865)	(90,301)	(668,856)
Share of joint venture's loss	–	–	–	–	(165,413)	(165,413)
Profit/(loss) before taxation	566,663	289,471	557,133	290,997	(378,114)	1,326,150
Income tax expense	(173,087)	(50,568)	(191,594)	(84,118)	113,435	(385,932)
Profit/(loss) for the year	393,576	238,903	365,539	206,879	(264,679)	940,218
Total assets	1,064,229	1,384,170	2,575,020	3,486,457	802,502	9,312,378
Total liabilities	244,406	467,390	1,021,469	2,312,629	1,117,655	5,163,549
Capital expenditure	24,452	57,967	4,049	67,102	7,264	160,834
Total depreciation and amortisation	9,557	12,690	23,160	70,528	31,928	147,863

For the year ended 31 March 2022 Business segments Group	Commodity trading Rs. '000	Rubber-based products manufacturing Rs. '000	Industrial products Rs. '000	FMCG Rs. '000	Other Rs. '000	Consolidated Rs. '000
Total revenue	5,534,956	1,007,180	2,097,987	4,756,002	–	13,396,125
Inter-segment revenue	(16,731)	(20,978)	(1,106)	(193,811)	–	(232,626)
Revenue from external customers	5,518,225	986,202	2,096,881	4,562,191	–	13,163,499
Segment gross profit	383,060	74,409	649,479	851,566	–	1,958,514
Operating overheads	(233,263)	(29,569)	(209,450)	(547,605)	(92,171)	(1,112,058)
Depreciation and amortisation	(10,784)	(11,538)	(25,104)	(57,287)	(39,001)	(143,714)
Contribution to defined benefit plan for gratuity	(3,135)	(6,267)	(3,136)	(6,571)	(4,705)	(23,814)
Provision for impairment of trade debtors	(1,201)	(504)	(36,242)	(13,400)	(4,236)	(55,583)
Other operating income	269	6,982	2,630	5,229	170,013	185,123
Results from operating activities	134,946	33,513	378,177	231,932	29,900	808,468
Finance income	224,942	19,146	–	(1,757)	(9,836)	232,495
Finance costs	(11,553)	(11,459)	(47,662)	(44,904)	(61,835)	(177,413)
Share of joint venture's loss	–	–	–	–	(127,808)	(127,808)
Profit/(loss) before taxation	348,335	41,200	330,515	185,271	(169,579)	735,742
Income tax expense	(52,463)	(2,516)	(78,848)	(54,164)	(68,447)	(256,438)
Profit/(loss) for the year	295,872	38,684	251,667	131,107	(238,026)	479,304
Total assets	1,066,634	1,328,059	1,758,377	3,038,365	1,213,737	8,405,172
Total liabilities	984,163	510,760	865,538	1,875,871	530,098	4,766,430
Capital expenditure	884	41,086	9,289	175,742	36,434	263,435
Total depreciation and amortisation	10,784	11,538	25,104	57,287	39,001	143,714

Business segments 2022/23



Business segments 2021/22



6. Other operating income ►

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sundry income	30,341	5,560	20,580	4,481
Commission income	6,643	2,070	6,643	2,070
Profit on disposal of property, plant and equipment	12,662	210	12,534	127
Government grants	338	887	–	–
Service fee	600	600	19,814	19,884
Export handling fee	–	–	18,146	21,973
Rent income	176,253	175,796	125,900	125,443
	226,837	185,123	203,617	173,978

7. Results from operating activities ►**7.1 Results from operations is stated after charging:**

For the year ended 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Depreciation/amortisation on					
– Property, plant and equipment		94,529	86,368	78,703	71,636
– Investment property		23,240	23,829	4,799	4,800
– Intangible assets		2,711	1,235	2,683	1,213
– Right-of-use asset		27,383	32,282	27,096	31,853
Directors' emoluments	32.2	118,609	37,750	114,880	34,732
Personnel expenses	7.3	463,931	395,475	353,277	292,250
Auditors' remuneration – Audit fees		6,230	5,270	4,000	3,360
– Non-audit services		100	439	100	275
– Audit-related fees and expenses		357	379	234	230
Other auditors' remuneration – Internal audit fees		1,631	1,843	1,154	1,602
Write-off of economic service charges during the year	9.5	–	2,989	–	–
Reversal of market return provision		(12,400)	–	(12,400)	–
Provision for obsolete inventories	15.1	130,565	74,758	129,065	73,395
Provision for impairment of trade receivables	16.4	16,442	55,583	16,048	54,179
Write-off of property, plant and equipments	12.1	–	35	–	35

7.2 Results from operations comprise those of the:

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Company	1,820,160	775,366	1,820,160	775,366
Subsidiary Companies	326,805	33,102	–	–
	2,146,965	808,468	1,820,160	775,366

7.3 Personnel expenses:

For the year ended 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Salaries and wages		381,733	318,284	291,249	235,934
Contribution to defined contribution plans (EPF/MSPS/ETF)		67,352	53,377	53,320	40,636
Contribution to defined benefit plan for gratuity	26.6	14,846	23,814	8,708	15,680
		463,931	395,475	353,277	292,250

8. Net financing costs ▶

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
8.1 Interest cost				
Interest on other borrowings	636,220	166,547	542,421	133,865
Lease interest	8,152	10,866	8,142	10,811
Interest on inter company balances	–	–	6,117	300
Net foreign exchange loss	24,484	–	58,774	–
	668,856	177,413	615,454	144,976
8.2 Interest income				
Interest on fixed deposits/savings accounts	(6,054)	(3,256)	(2,160)	(1,906)
Interest from inter company balances	–	–	(34,441)	(9,336)
Interest on related party loan granted	(7,400)	(11,302)	(7,400)	(11,302)
Net foreign exchange gain	–	(217,937)	–	(230,099)
	(13,454)	(232,495)	(44,001)	(252,643)
	655,402	(55,082)	571,453	(107,667)

9. Income tax expense ▶

For the year ended 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
9.1 Current tax expense					
Income tax on current year's profit	9.3	370,718	185,475	337,087	185,475
Over provision for previous year		–	(5)	–	(5)
		370,718	185,470	337,087	185,470
Deferred tax expense					
Deferred taxation	28	15,214	70,968	(9,810)	58,653
		15,214	70,968	(9,810)	58,653
		385,932	256,438	327,277	244,123

9.2 The Company and subsidiaries are liable for income tax at the rate of 30% (2022 – 24%, 18% & 14%) on taxable profits in accordance with the provisions of Inland Revenue Act No. 24 of 2017.

9.3 Reconciliation of accounting profit to income tax:

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Profit before income tax	1,326,150	735,742	1,083,294	755,225
Other sources of income	(54,234)	(101,411)	(44,002)	(105,265)
Aggregate disallowable expenses	860,904	552,475	786,720	488,145
Aggregate allowable expenses	(617,393)	(574,200)	(499,298)	(494,243)
Other sources of income	52,073	26,397	41,841	22,543
Assessable income	1,567,500	639,003	1,368,555	666,405
Assessable income set-off against tax losses	(101,995)	(12,604)	–	–
Taxable income	1,465,505	626,399	1,368,555	666,405
Applicable tax rates:				
Income tax @ 30%	238,489	–	210,194	–
Income tax @ 24%	73,071	148,953	73,071	148,953
Income tax @ 18%	16,369	2,881	12,715	2,881
Income tax @ 14%	42,789	33,641	41,107	33,641
Total income tax on taxable profit	370,718	185,475	337,087	185,475

The Inland Revenue (Amendment) Act No 45 of 2022 was certified by the Speaker on 19 December 2022. The standard rate of income tax has been increased to 30% w.e.f. 1 October 2022. The increase in income tax rate to 30% in mid-year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Group has computed the current tax payable on a pro rata basis for the Year of Assessment 2022/23.

9.4 Accumulated tax losses

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Tax losses at the beginning of the year	513,361	478,261	–	–
Adjustment to the tax loss brought forward	(31,492)	2	–	–
Loss for the year	40,721	47,702	–	–
Tax loss set off during the year	(101,995)	(12,604)	–	–
Tax losses at the end of the year	420,595	513,361	–	–

9.5 Economic service charge

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	–	2,989	–	–
Write-off during the year	–	(2,989)	–	–
Balance at the end of the year	–	–	–	–

9.6 Withholding tax

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	733	733	–	–
Payments made during the year	2,505	–	1,870	–
Balance at the end of the year	3,238	733	1,870	–

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	
	2023	2022	2023	2022
Net profit attributable to ordinary shareholders (Rs. '000)	916,125	491,828	756,017	511,102
Weighted average number of ordinary shares	35,988,556	35,988,556	35,988,556	35,988,556
Earnings per share (Rs.)	25.46	13.67	21.01	14.20

11. Dividend per share ➤

For the year ended 31 March	Group		Company	
	2023	2022	2023	2022
Gross dividend paid during the year (Rs.)	359,885,560	251,919,892	359,885,560	251,919,892
Weighted average number of ordinary shares	35,988,556	35,988,556	35,988,556	35,988,556
Dividend per share (Rs.)	10.00	7.00	10.00	7.00

12. Property, plant and equipment ►**12.1 Property, plant and equipment – Group**

As at 31 March	Buildings on leasehold land Rs. '000	Freehold land Rs. '000	Freehold buildings Rs. '000	Plant, machinery and tools Rs. '000	Computer and other installations Rs. '000	Office, factory and lab equipment Rs. '000
Cost						
Balance at the beginning of the year	41,229	1,278,768	279,799	380,080	76,104	108,708
Adjustment for write off	–	–	–	–	–	–
Additions during the year	–	–	8	73,051	5,396	22,268
Disposals during the year	–	–	–	(6,695)	(1,065)	(1,923)
Transfers during the year	–	–	1,511	6,840	–	960
Revaluation during the year	–	–	–	–	–	–
Balance at the end of the year	41,229	1,278,768	281,318	453,276	80,435	130,013
Accumulated depreciation						
Balance at the beginning of the year	32,509	–	76,154	278,974	67,673	65,604
Adjustment for write off	–	–	–	–	–	–
Depreciation charge for the year	3,230	–	9,521	28,753	3,213	12,415
Disposals during the year	–	–	–	(6,695)	(1,065)	(568)
Balance at the end of the year	35,739	–	85,675	301,032	69,821	77,451
Written down value:						
As at 31 March 2023	5,490	1,278,768	195,643	152,244	10,614	52,562
As at 31 March 2022	8,720	1,278,768	203,645	101,106	8,431	43,104

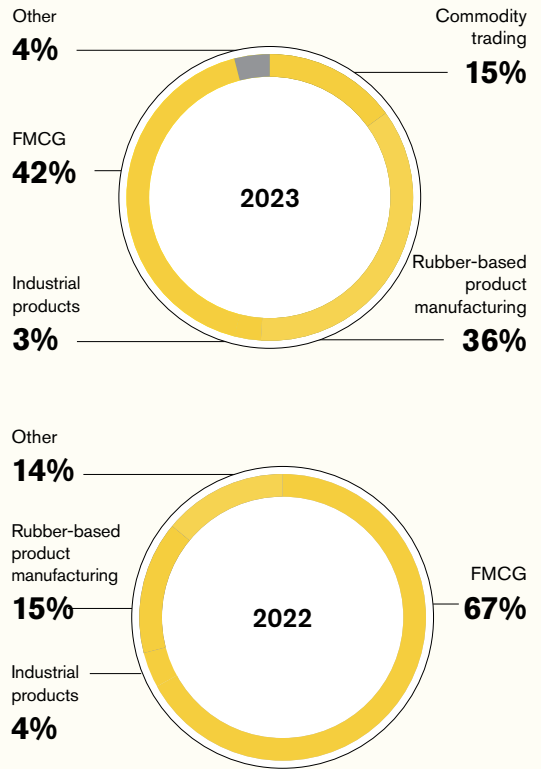
12.2 Property, plant and equipment – Company

As at 31 March	Buildings on leasehold land Rs. '000	Freehold land Rs. '000	Freehold buildings Rs. '000	Plant, machinery and tools Rs. '000	Computer and other installations Rs. '000	Office, factory and lab equipment Rs. '000
Cost						
Balance at the beginning of the year	41,229	363,908	58,988	200,164	69,743	78,034
Adjustment for write off	–	–	–	–	–	–
Additions during the year	–	–	8	14,665	4,762	19,929
Disposals during the year	–	–	–	–	–	(1,674)
Transfers during the year	–	–	1,511	6,840	–	960
Revaluation during the year	–	–	–	–	–	–
Balance at the end of the year	41,229	363,908	60,507	221,669	74,505	97,249
Accumulated depreciation						
Balance at the beginning of the year	32,509	–	11,883	114,523	61,678	36,381
Adjustment for write off	–	–	–	–	–	–
Depreciation charge for the year	3,230	–	1,504	23,204	3,071	11,914
Disposals during the year	–	–	–	–	–	(319)
Balance at the end of the year	35,739	–	13,387	137,727	64,749	47,976
Written down value:						
As at 31 March 2023	5,490	363,908	47,120	83,942	9,756	49,273
As at 31 March 2022	8,720	363,908	47,105	85,641	8,065	41,653

	Freehold motor vehicles Rs. '000	Furniture and fittings Rs. '000	Capital work-in-progress Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
	316,566	98,817	9,311	2,589,382	2,406,038
	-	-	-	-	(42)
	23,060	5,349	25,949	155,081	246,458
	(21,683)	(152)	-	(31,518)	(1,766)
	-	-	(9,311)	-	(596,017)
	-	-	-	-	534,711
	317,943	104,014	25,949	2,712,945	2,589,382
	260,990	49,754	-	831,658	747,019
	-	-	-	-	(7)
	26,157	11,240	-	94,529	86,368
	(21,683)	(152)	-	(30,163)	(1,722)
	265,464	60,842	-	896,024	831,658
	52,479	43,172	25,949	1,816,921	
	55,576	49,063	9,311	-	1,757,724

	Freehold motor vehicles Rs. '000	Furniture and fittings Rs. '000	Capital work-in-progress Rs. '000	Total 2023 Rs. '000	Total 2022 Rs. '000
	292,114	92,094	9,311	1,205,585	835,790
	-	-	-	-	(42)
	23,060	4,834	25,949	93,207	179,191
	(21,683)	(56)	-	(23,413)	(1,205)
	-	-	(9,311)	-	-
	-	-	-	-	191,851
	293,491	96,872	25,949	1,275,379	1,205,585
	238,568	43,690	-	539,232	468,764
	-	-	-	-	(7)
	24,910	10,870	-	78,703	71,636
	(21,683)	(56)	-	(22,058)	(1,161)
	241,795	54,504	-	595,877	539,232
	51,696	42,368	25,949	679,502	
	53,546	48,404	9,311	-	666,353

Segmental capital expenditure



12.3 Land carried at revalued amount

Company/location	Last revaluation date	Extent	Estimated price per perch	Cost of acquisition	Revaluation surplus	Carrying amount as at	
						31 March 2023	31 March 2022
						Rs. '000	Rs. '000
Freehold Land							
C. W. Mackie PLC							
Scan Water Bottling Plant – Munagama, Horana	31 March 2022	3A,0R,5.21P	750,000/-	71,944	191,850	363,908	363,908
Ceymac Rubber Company Limited							
Aramangolla, Horana	31 March 2022	5A,0R,0.45P	800,000/-	3,350	600,360	640,360	640,360
Thebuwana, Narthupana	31 March 2022	5A,1R,10.00P	150,000/-	469	129,250	137,250	137,250
		0A,2R,11.00P	125,000/-				
Kelani Valley Canneries Limited							
Kaluaggala, Hanwella	31 March 2022	2A,0R, 35.00P	450,000/-	39,000	98,250	137,250	137,250

12.4 Investment property

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cost				
Balance at the beginning of the year	852,224	249,658	62,346	62,346
Additions	5,296	6,549	–	–
Disposals during the year	(93,660)	–	–	–
Transfers from capital working progress	–	596,017	–	–
Balance at the end of the year	763,860	852,224	62,346	62,346
Accumulated depreciation				
Balance at the beginning of the year	85,229	61,400	52,764	47,964
Depreciation charge for the year	23,240	23,829	4,799	4,800
Disposals during the year	(3,902)	–	–	–
Balance at the end of the year	104,567	85,229	57,563	52,764
Written down value at the end of the year	659,293	766,995	4,783	9,582

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 permitted 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. million
C. W. Mackie PLC	
No. 36, D. R. Wijewardena Mawatha, Colombo 10	270.8
Sunquick Lanka Properties (Private) Limited	
Munagama, Horana	275.0
Total	545.8

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

For the year ended 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Rent income	176,253	175,796	125,900	125,443
Direct operating expenses arising from investment property that generated rental income during the year	30,576	20,420	23,747	14,175

12.5 Intangible assets

Software purchased

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cost				
Balance at the beginning of the year	79,845	69,344	79,705	69,277
Additions	457	10,501	457	10,428
Balance at the end of the year	80,302	79,845	80,162	79,705
Accumulated amortisation				
Balance at the beginning of the year	69,110	67,875	69,071	67,858
Amortisation for the year	2,711	1,235	2,683	1,213
Balance at the end of the year	71,821	69,110	71,754	69,071
Written down value at the end of the year	8,481	10,735	8,408	10,634

12.5.1 Intangible assets are included in the Statement of Financial Position as follows:

Intangible assets	Useful life	Amortisation method	Type	Impairment testing
License	5 Years	Straight-line	Acquired	When the indicators of the impairment exist. The amortisation method is reviewed at each financial year end.
Sales Force Automation System	5 Years	Straight-line	Acquired	
Human Resources Information Systems	5 Years	Straight-line	Acquired	
E Mail Solution	5 Years	Straight-line	Acquired	
Enterprise Resource Planning System (ERP)	5 Years	Straight-line	Acquired	

12.6 Right-of-use asset

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Cost				
Balance at the beginning of the year	164,689	164,689	162,544	162,544
Additions during the year	50,260	–	50,260	–
Balance at the end of the year	214,949	164,689	212,804	162,544
Accumulated depreciation				
Balance at the beginning of the year	89,710	57,428	87,852	55,999
Depreciation charge of the right-of-use assets for the year	27,383	32,282	27,096	31,853
Balance at the end of the year	117,093	89,710	114,948	87,852
Written down value at the end of the year	97,856	74,979	97,856	74,692

12.6 (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 2023 is Rs. 624 million (2022-Rs. 654 million).

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31 March 2023 is Rs. 421 million (2022-Rs. 443 million).

(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.

12.7 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		
Munagama, Horana	2A,3R,33.07P	8
Freehold Land and Buildings		
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, Hanwellla	2A,0R, 35.00P	7

12.8 Capitalisation of borrowing costs

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

12.9 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 2023.

12.10 Capital work-in progress

The capital work-in progress balance represent the cost incurred by C. W. Mackie PLC on the snack manufacturing plant to improve the production capacity of the factory.

The capital work-in progress balance as at 31 March 2022, represents the cost incurred by C. W. Mackie PLC on the glass water bottling plant to improve the production capacity of the factory. Accordingly, the Company has capitalised the improvements made to machinery, land and buildings in the design stage of the project as at the financial year end.

13. Investments in subsidiaries ➤

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
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	187,032
Less: Provision for impairment loss	13.1	–	–	(31,989)	(21,989)
		–	–	155,043	165,043
		–	–	921,518	931,518

13.1 Provision for impairment of investment in subsidiary

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	–	–	21,989	21,989
Provision made during the year	–	–	10,000	–
Balance at the end of the year	–	–	31,989	21,989

Directors' valuation of investment in subsidiaries has been carried out on cash flow basis as at 31 March 2023 and provision for impairment is provided to the extent of carrying value exceeds its present value of expected cash flows.

Subsidiaries-unquoted	Principal activity	Holding	Deemed cost	
			31 March 2023 Rs. '000	31 March 2022 Rs. '000
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 fruit, young coconut/ king coconut water and beverage products under "KVC" brand.	92.84%	187,032	187,032
Sunquick Lanka Properties (Private) Limited	Own the production site and the production facilities and to lease out these facilities to Sunquick Lanka (Private) Limited pursuant to the lease agreement.	51.00%	307,000	307,000

14. Investments in joint venture ►

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sunquick Lanka (Private) Limited	–	163,547	–	163,547
	–	163,547	–	163,547

14.1 Holding

The Company has a 49% interest in Sunquick Lanka (Private) Limited, a joint venture formed for the purpose of manufacturing, processing and marketing Co-Ro A/S, Denmark products in the form of concentrates and ready-to-drink (RTD) products marketed under "Sunquick" brand.

14.2 Summarised financial information

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:

14.2.1 Summarised Statement of Profit or Loss and Other Comprehensive Income

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Revenue	2,546,508	1,384,221	2,546,508	1,384,221
Operating expenses	(2,543,744)	(1,333,248)	(2,543,744)	(1,333,248)
Other operating income	31,832	6,086	31,832	6,086
Finance income	53,599	–	53,599	–
Finance cost	(466,036)	(294,796)	(466,036)	(294,796)
Loss before tax	(377,841)	(237,737)	(377,841)	(237,737)
Income tax	(63,605)	(23,096)	(63,605)	(23,096)
Loss for the year	(441,446)	(260,833)	(441,446)	(260,833)
Other comprehensive expense				
Actuarial gain on defined benefit plans	3,809	427	3,809	427
Total other comprehensive expense	3,809	427	3,809	427
Total comprehensive expense for the year	(437,637)	(260,406)	(437,637)	(260,406)
Share of loss	(216,309)	(127,808)	(216,309)	(127,808)
Share of loss recognised for the year	(165,413)	(127,808)	(165,413)	(127,808)
Share of loss recognised in other comprehensive income	1,866	209	1,866	209

C. W. Mackie PLC (CWM) share of loss of the joint venture Company Sunquick Lanka (Private) Limited (SQL), exceeds the investment in the joint venture as at 31 March 2023. Therefore CWM discontinues recognising its share of further losses of SQL.

14.2.2 Summarised Statement of Financial Position

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Non current assets	934,423	976,534	934,423	976,534
Current assets	1,803,092	1,145,129	1,803,092	1,145,129
Non current liabilities	1,465,321	584,551	1,465,321	584,551
Current liabilities	1,373,689	1,203,343	1,373,689	1,203,343
Equity	(101,495)	333,769	(101,495)	333,769
Carrying amount of the investments	–	163,547	–	163,547
Equity reconciliation				
Carrying value as at 1 April	163,547	291,146	163,547	291,146
Investment made during the year	–	–	–	–
Share of loss	(163,547)	(127,599)	(163,547)	(127,599)
Carrying value as at 31 March	–	163,547	–	163,547

15. Inventories ►

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Raw materials		343,882	278,036	234,665	122,288
Work-in-progress		34,965	16,408	5,431	–
Finished goods		2,256,830	1,622,839	2,193,223	1,590,062
Goods-in-transit		2,147	539	2,147	539
Other consumables		251,724	121,143	187,536	88,516
Right to recover returned goods		114,272	141,011	114,272	141,011
		3,003,820	2,179,976	2,737,274	1,942,416
Less: Provision for slow moving inventories	15.1	(119,296)	(97,729)	(111,240)	(89,522)
		2,884,524	2,082,247	2,626,034	1,852,894

15.1 Provision for slow moving inventories

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	97,729	88,477	89,522	79,905
Provision made during the year	130,565	74,758	129,065	73,395
Write-off during the year	(108,998)	(65,506)	(107,347)	(63,778)
Balance at the end of the year	119,296	97,729	111,240	89,522

Inventories mentioned above are stated at the lower of cost and net realisable value. Inventories amounting to Rs. 2,623.0 million (2022 – Rs.1,801.4 million) have been pledged as security for short-term loans and overdraft facilities obtained from banks (Note 29.2).

16. Trade and other receivables ➤

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade receivables from related parties	16.1	25,008	15,120	54,904	133,150
Trade receivables	16.3	2,874,775	2,405,893	2,704,611	2,266,398
Non-trade receivables from related parties	16.2	209,104	–	209,104	–
Deposits		20,993	11,106	18,583	8,196
Loans to employees	16.5	32,029	23,178	10,875	6,466
Other receivables	16.6	476,143	791,199	388,064	665,207
		3,638,052	3,246,496	3,386,141	3,079,417

16.1 Trade receivable from related parties

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Ceymac Rubber Company Limited		–	–	926	93,784
Ceytra (Private) Limited		–	–	10,807	11,596
Kelani Valley Canneries Limited		–	–	17,921	12,803
CWM Hotels Holdings Limited		81,939	81,939	81,939	81,939
Ceylon Tapes (Private) Limited		688	421	989	421
Colombo Fort Group Services (Private) Limited		–	346	–	346
Ceylon Trading Company Limited		558	241	558	241
E B Creasy & Company PLC		122	–	122	–
York Hotel Management Services Limited		174	174	174	174
Marawila Resorts PLC		2,742	284	2,742	284
Sigiri Village Hotels PLC		383	303	383	303
Lanka Special Steel Limited		236	4	236	–
Union Commodities (Private) Limited		20,008	13,328	19,949	13,179
Lankem Ceylon PLC		97	19	97	19
		106,947	97,059	136,843	215,089
Less: Provision for impairment loss	16.1.1	(81,939)	(81,939)	(81,939)	(81,939)
		25,008	15,120	54,904	133,150

The Company recognises interest on the amount due from subsidiary companies based on the monthly average outstanding at market rates.

16.1.1 Provision for impairment loss

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	(81,939)	(81,939)	(81,939)	(81,939)
Provision made during the year	–	–	–	–
Balance at the end of the year	(81,939)	(81,939)	(81,939)	(81,939)

16.2 Non-trade receivables from related parties

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sunquick Lanka (Private) Limited		240,000	–	240,000	–
Less: Provision for impairment loss	16.2.1	(30,896)	–	(30,896)	–
		209,104	–	209,104	–

16.2.1 Provision for impairment loss

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Provision made during the year	30,896	–	30,896	–
Balance at the end of the year	30,896	–	30,896	–

16.3 Trade receivables

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade receivables – Local sales		2,784,774	2,212,889	2,635,943	2,097,613
– Export sales		210,236	313,378	181,854	282,501
		2,995,010	2,526,267	2,817,797	2,380,114
Less: Provision for impairment loss	16.4	(120,235)	(120,374)	(113,186)	(113,716)
		2,874,775	2,405,893	2,704,611	2,266,398

Trade debtors amounting to Rs. 2,817.8 million (2022 – Rs. 2,380.1 million) have been pledged as security for short-term loans and overdraft facilities obtained from banks (Note 29.2).

16.4 Provision for impairment loss

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	120,374	73,989	113,716	68,735
Provision made during the year	16,442	55,583	16,048	54,179
Write-off during the year	(16,581)	(9,198)	(16,578)	(9,198)
Balance at the end of the year	120,235	120,374	113,186	113,716

16.5 Loans to employees

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	23,178	23,193	6,466	6,259
Loans granted during the year	18,905	18,406	14,463	7,746
	42,083	41,599	20,929	14,005
Recovered during the year	(10,054)	(18,378)	(10,054)	(7,496)
Write-off during the year	–	(43)	–	(43)
Balance at the end of the year	32,029	23,178	10,875	6,466

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

16.6 Other receivables

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Payments in advance		431,680	719,751	352,953	607,929
VAT receivable		4,835	40,539	(16,056)	15,071
NBT receivable		–	922	–	922
WHT receivable		3,238	733	1,870	–
Prepayments		6,141	3,236	5,418	2,627
Income tax refund		333	333	100	100
Other receivables		61,536	57,305	59,556	54,335
		507,763	822,819	403,841	680,984
Less: Provision for other receivables	16.6.1	(31,620)	(31,620)	(15,777)	(15,777)
		476,143	791,199	388,064	665,207

16.6.1 Provision for other receivables

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	31,620	23,421	15,777	7,578
Provision made during the year	–	8,199	–	8,199
Balance at the end of the year	31,620	31,620	15,777	15,777

17. Interest bearing short-term loan to related parties ►

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	111,302	200,000	111,302	200,000
Interest accrued during the year	7,400	11,302	7,400	11,302
Repayments during the year	(118,702)	(100,000)	(118,702)	(100,000)
Balance at the end of the year	–	111,302	–	111,302

17.1 Related party companies

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Lankem Ceylon PLC	–	111,302	–	111,302
	–	111,302	–	111,302

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

18. Other investments ►

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Fixed deposits		360	360	–	–
Less: Provision for impairment loss	18.1	(360)	(360)	–	–
		–	–	–	–

18.1 Provision for impairment loss

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	360	360	–	–
Balance at the end of the year	360	360	–	–

19. Cash and cash equivalents >

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Bank balances	194,532	179,099	158,723	130,612
Cash in hand	3,324	2,653	2,999	2,328
	197,856	181,752	161,722	132,940
Bank overdrafts	217,809	195,646	159,993	161,560
Cash and cash equivalents for cash flow purpose	(19,953)	(13,894)	1,729	(28,620)

20. Stated capital >

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Ordinary shares (Number of shares 35,988,556)	507,047	507,047	507,047	507,047

The shares of the C. W. Mackie PLC are quoted on the Diri Savi Board of Colombo Stock Exchange. The shares shall confer on the holder the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company on liquidation.

21. Capital reserves >

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Revaluation reserve	664,149	738,118	191,911	209,305
Adjustment due to merger of subsidiary	–	–	14,909	14,909
Export development grant reserve	8,734	8,734	–	–
	672,883	746,852	206,820	224,214

22. Revenue reserves >

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
General reserves*	7,000	7,000	7,000	7,000
Retained earnings	2,610,157	2,049,321	2,782,468	2,384,974
	2,617,157	2,056,321	2,789,468	2,391,974

* 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:

As at 31 March	Ceytra (Private) Limited		Sunquick Lanka Properties (Private) Limited		Other Non-Material NCI		Total	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
NCI percentage (%)	37.18	37.18	49	49	8.44	8.44	–	–
Total assets	64,437	80,676	834,732	1,118,929	1,593,303	1,539,908	2,492,472	2,739,513
Total liabilities	7,008	21,390	92,854	260,310	681,058	697,749	780,920	979,449
Net assets	57,429	59,286	741,878	858,619	912,245	842,159	1,711,552	1,760,064
Carrying amount of NCI	21,352	22,043	363,520	420,723	(33,130)	(114,244)	351,742	328,522
Revenue	147,419	69,202	–	–	1,994,114	1,239,417	2,141,533	1,308,619
Profit/(loss) after tax	(2,239)	651	50,715	(26,800)	124,683	(1,594)	173,159	(27,743)
Total comprehensive income/(expense)	(1,857)	5,918	50,715	(26,800)	70,087	258,498	118,945	237,616
Profit/(loss) allocated to NCI	(690)	2,200	24,850	(13,132)	(940)	5,664	23,220	(5,268)
Cash flows from/(used in) operating activities	(4,002)	(3,783)	(360,689)	(422,040)	56,023	45,015	(308,668)	(380,808)
Cash flows from/(used in) investing activities	–	–	186,822	184,360	(51,087)	(34,499)	135,735	149,861
Cash flows from/(used in) financing activities	4,249	2,935	157,142	185,714	(31,867)	(14,706)	129,524	173,943
Net change in cash and cash equivalents	247	(848)	(16,725)	(51,966)	(26,931)	(4,190)	(43,409)	(57,004)

24. Loans and borrowings ►

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	305,764	138,135	100,000	91,750
Obtained during the year	–	300,000	–	100,000
Write-off during the year	–	(120)	–	(120)
Repayments during the year	(64,311)	(132,251)	(20,088)	(91,630)
Balance at the end of the year	241,453	305,764	79,912	100,000

24.1 Sources of finance

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Hatton National Bank PLC	83,208	113,232	79,912	100,000
Commercial Bank of Ceylon PLC	158,245	192,532	–	–
	241,453	305,764	79,912	100,000

24.2 Maturity analysis

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Payable after one year but less than five years	188,905	239,995	59,824	78,454
Payable within one year	52,548	65,769	20,088	21,546

24.3 Assets pledged as securities against long-term borrowings

Lending institution	Facility obtained	Assets pledged	Interest rate
Kelanivalley Canneries Limited			
Commercial Bank of Ceylon PLC	For financing of long-term capital requirements	Mortgage bond over the machinery valued Rs. 1.893 million and Rs. 1.7 million at Kaluaggala, Hanwella	AWPLR + 1.75% and 6.75% p.a (fixed)
Sunquick Lanka Properties (Private) Limited			
Commercial Bank of Ceylon PLC	To meet contractor payments relating to the construction of new factory building	Floating primary mortgage bond over property situated at Mungama, Horana.	9.25% p.a.

25. Finance lease liability >

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	76,396	103,872	76,180	103,285
Obtained during the year	43,063	–	43,063	–
Interest expense for the year	10,994	10,811	10,994	10,811
Repayments during the year	(36,238)	(38,287)	(36,022)	(37,916)
Balance at the end of the year	94,215	76,396	94,215	76,180
Interest in suspense	–	(10)	–	–
Capital outstanding at the end of the year	94,215	76,386	94,215	76,180

25.1 Payable after one year

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Lease rental payable	63,815	52,154	63,815	52,154
Interest in suspense	–	–	–	–
	63,815	52,154	63,815	52,154

25.2 Payable within one year

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Lease rental payable	30,400	24,242	30,400	24,026
Interest in suspense	–	(10)	–	–
	30,400	24,232	30,400	24,026

25.3 Amount recognised in profit or loss

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Leases under SLFRS 16				
Depreciation of right-of-use assets	27,383	32,282	27,096	31,853
Interest on lease liability	11,004	10,866	10,994	10,811
Cashflow adjustments on interest	(2,852)	–	(2,852)	–
	35,535	43,148	35,238	42,664

25.4 Amount recognised in Statement of Cash Flows

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Total cash outflow for leases	(36,238)	(38,287)	(36,022)	(37,916)

26. Retirement benefit obligation ►

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Present value of defined benefit obligation	26.2	119,973	107,178	88,324	79,251
Fair value of plan assets	26.3	(85,123)	(69,826)	(79,161)	(67,045)
Unrecognised actuarial gain/(loss)	26.4	–	–	–	–
		34,850	37,352	9,163	12,206
Payable to the CWM Staff Non-Contributory Gratuity Fund	26.5	15,485	12,881	12,138	9,894
		50,335	50,233	21,301	22,100

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 2023 and the appropriate adjustments have been effected in the Financial Statements.

26.1 Plan assets consist of the following:

As at 31 March	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Treasury bills	48,263	40,819	44,885	39,186
Balance with Group Companies	15,490	12,886	14,406	12,371
Cash	17,855	14,960	16,605	14,362
Others	3,515	1,161	3,265	1,126
	85,123	69,826	79,161	67,045

The plan assets are invested entirely in short term Treasury Bills issued by the Government of Sri Lanka in order to mitigate any potential financial risks.

26.2 Movement in present value of defined benefit obligations

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	107,178	167,031	79,251	117,282
Current service cost	8,810	14,916	6,466	10,895
Interest cost	16,076	13,362	11,887	9,382
Amendments	–	405	–	28
Benefits paid by the plan	(5,618)	(8,665)	(5,062)	(5,171)
Actuarial gain	(6,473)	(79,871)	(4,218)	(53,165)
Balance at the end of the year	119,973	107,178	88,324	79,251

Amendments include the change in present value of defined benefit obligation due to increase in retirement age of other staff category from 55 years to 60 years.

26.3 Movement in fair value of plan assets

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	69,826	63,823	67,045	60,611
Contribution paid into gratuity fund	15,490	12,886	12,138	9,894
Benefits paid by the gratuity fund	(5,618)	(8,665)	(5,062)	(5,171)
Expected return on plan assets	10,040	4,869	9,645	4,625
Actuarial gain	(4,615)	(3,087)	(4,605)	(2,914)
Balance at the end of the year	85,123	69,826	79,161	67,045

26.4 Unrecognised actuarial (gain)/loss

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Actuarial loss for year – obligation	(6,473)	(79,871)	(4,218)	(53,165)
Actuarial loss for year – plan assets	4,615	3,087	4,605	2,914
Actuarial loss recognised during the year	1,858	76,784	(387)	50,251

26.5 Payable to the CWM staff non-contributory gratuity fund

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	12,881	13,352	9,894	10,333
Contribution for the year	15,490	12,886	12,138	9,894
Paid to the fund	(12,886)	(13,357)	(9,894)	(10,333)
Balance at the end of the year	15,485	12,881	12,138	9,894

26.6 Amount recognised in the Statement of Comprehensive Income

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Recognised in profit or loss				
Current service cost	8,810	14,916	6,466	10,895
Interest cost	16,076	13,362	11,887	9,382
Expected return on plan assets	(10,040)	(4,869)	(9,645)	(4,625)
Amendments	–	405	–	28
	14,846	23,814	8,708	15,680
Recognised in the other comprehensive income				
Recognition of actuarial (gain)/loss	(1,858)	(76,784)	387	(50,251)
Total amount recognised in the Statement of Profit or Loss and Other Comprehensive Income	12,988	(52,970)	9,095	(34,571)

26.7 Actuarial assumptions

As at 31 March	Group		Company	
	2023	2022	2023	2022
Discount rate (%)	18.00	15.00	18.00	15.00
Expected return on plan assets (%)	7.26	2.70	7.26	2.70
Future salary increases (%)	12.00	10.00	12.00	10.00
Retirement age				
Management staff (years)	60	60	60	60
Allied staff (years)	60	60	60	60
Other staff (years)	60	60	60	60

The Group has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macro-economic conditions, with support of the independent actuarial expert. As per the guidelines issued by The Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing Employee benefit obligations as per LKAS 19. The Discount rate was revised to 18.0% (15.0% last year) to reflect the yield rates of the Treasury Bond. The term of the Treasury Bond is 6.7 years, which is the estimated maturity of all benefits the participants of the plan. The effect of this change resulted in an actuarial loss as the liability was higher due to lower discounting of the liability to the valuation date.

Further, the salary increment rate of 12% is considered appropriate to be in line with the Group's targeted future. Due to the discount rate and salary increment rate account the current market conditions and inflation rate. Salary increments when taking into assumptions used, nature of non-financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

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.

	Sensitivity effect on			
	Total Comprehensive Income increase/(reduction)		Employment benefit increase/(reduction) in the liability	
	Group Rs. '000	Company Rs. '000	Group Rs. '000	Company Rs. '000
31 March 2023				
Decrease in discount rate (1%)	(7,180)	(4,791)	7,180	4,791
Increase in discount rate (1%)	6,708	4,275	(6,708)	(4,275)
Decrease in salary escalation (1%)	8,370	5,722	(8,370)	(5,722)
Increase in salary escalation (1%)	(9,280)	(6,327)	9,280	6,327
31 March 2022				
Decrease in discount rate (1%)	(7,169)	(4,820)	7,169	4,820
Increase in discount rate (1%)	7,988	5,360	(7,988)	(5,360)
Decrease in salary escalation (1%)	7,124	4,751	(7,124)	(4,751)
Increase in salary escalation (1%)	(6,313)	(4,212)	6,313	4,212

26.9 The expected benefits payout in the next 10 years

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Years from the current period				
1st following year	11,235	14,351	7,601	12,962
2nd following year	4,886	11,903	3,269	8,057
3rd following year	11,773	5,088	8,346	3,404
4th following year	15,522	12,021	8,210	8,521
5th following year	25,168	15,576	14,413	8,232
Sum of years 6 to 10	176,195	159,949	130,062	113,568
Sum of years 11 and above	2,238,847	1,374,554	1,611,707	984,704
Weighted average duration of the defined benefit obligation (years)	8.60	9.15	6.70	7.20

27. Deferred income/revenue ►

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Government grant				
Balance at the beginning of the year	1,044	1,755	–	–
Received during the year	–	176	–	–
Adjustments during the year	(1)	–	–	–
Amortised during the year	(338)	(887)	–	–
Balance at the end of the year	705	1,044	–	–

27.1 Maturity analysis

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Non-current	417	706	–	–
Current	288	338	–	–

Kelani Valley Canneries Limited (KVC) has been awarded a government grant in December 2016 from Industrial Development Board of Ceylon, amounted to Rs. 500,000 for the acquisition of fully automated jam cup filling machine at a total cost of Rs. 1.3 million. During the year 2019/20, the Company has acquired an Automated Filling Machine at a total cost of Rs. 2.2 million under a government grant scheme which was aimed at facilitating Micro Small and Medium Enterprises (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. Out of the approved grant, the Company has received Rs. 1,054,000/- during the previous years. The government grant is recognised as deferred income and is being amortised over the useful life of the machinery.

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

28. Deferred taxation ►

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	327,336	122,393	131,272	38,635
Reversal of temporary differences recognised in profit for the year	15,214	70,968	(9,810)	58,653
Origination of temporary differences recognised in the Statement of Other Comprehensive Income	73,969	133,975	17,510	33,984
Balance at the end of the year	416,519	327,336	138,972	131,272

28.1

Deferred tax asset	(9,395)	(9,395)	–	–
Deferred tax liability	425,914	336,731	138,972	131,272
	416,519	327,336	138,972	131,272

28.2 The Group has applied an effective tax rate of 30% (2022 – 24%) 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 Group	2023		2022	
	Temporary differences Rs. '000	Tax effect Rs. '000	Temporary differences Rs. '000	Tax effect Rs. '000
On property, plant and equipment	1,330,510	399,047	1,392,479	326,958
On retirement gratuity	(32,396)	(9,257)	(35,116)	(8,166)
On tax losses carried forward	(55,437)	(8,977)	(149,734)	(31,608)
On other provisions	66,080	19,825	18,408	4,418
On unrealised foreign exchange gain	52,939	15,881	148,893	35,734
	1,361,696	416,519	1,374,930	327,336
Company				
On property, plant and equipment	370,858	111,257	395,714	94,972
On retirement gratuity	(9,163)	(2,749)	(12,206)	(2,929)
On other provisions	48,312	14,494	17,059	4,094
On unrealised foreign exchange gain	53,234	15,970	146,397	35,135
	463,241	138,972	546,964	131,272

28.4 Unrecognised deferred tax assets**Deferred tax asset-Ceytra Limited**

Deferred tax asset have not been recognised 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:

As at 31 March	2023		2022	
	Temporary differences Rs. '000	Tax effect Rs. '000	Temporary differences Rs. '000	Tax effect Rs. '000
On property, plant and equipment	88	26	74	18
On retirement gratuity	(1,831)	(549)	(2,141)	(514)
On other provisions	(38)	(11)	15	4
On tax losses carried forward	(54,803)	(16,441)	(51,600)	(12,384)
On unrealised foreign exchange gain	1,574	472	9,708	2,330
	(55,010)	(16,503)	(43,944)	(10,546)

The Company has not recognised the change in the deferred tax asset amounting to Rs. 5.9 million (2022: Rs.1.1 million) during the year ended 31 March 2023, as the Management was of the view that the deferred tax asset will not be crystallised exceeding 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. 25.5 million (2022-Rs. 68.8 million) for the year ended 31 March 2023, 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:

As at 31 March	2023		2022	
	Temporary differences Rs. '000	Tax effect Rs. '000	Temporary differences Rs. '000	Tax effect Rs. '000
On property, plant and equipment	30,941	9,282	30,887	7,413
On retirement gratuity	(3,965)	(1,190)	(3,437)	(825)
On tax losses carried forward	(341,971)	(102,591)	(315,108)	(75,626)
On other provisions	(284)	(85)	(186)	(45)
On unrealised foreign exchange gain	635	191	841	202
	(314,644)	(94,393)	(287,003)	(68,881)

29. Interest bearing short-term borrowings ►

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Short-term money market loans/import loans	29.1	2,152,140	2,066,793	2,022,140	1,920,793
		2,152,140	2,066,793	2,022,140	1,920,793

29.1 Sources of finance

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Hatton National Bank PLC	621,000	551,000	586,000	475,000
Commercial Bank of Ceylon PLC	1,358,609	1,095,793	1,263,609	1,025,793
National Development Bank PLC	172,531	275,000	172,531	275,000
Standard Chartered Bank	–	145,000	–	145,000
	2,152,140	2,066,793	2,022,140	1,920,793

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 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 exports, imports and working capital requirements	Primary and secondary concurrent mortgage over stocks and book debts	Available money market rates
National Development Bank PLC	To finance exports, imports and working capital requirements	Primary and secondary mortgage over stocks and book debts	Available money market rates
Standard Chartered Bank	To finance exports, imports and working capital requirements	Primary concurrent mortgage over stocks and book debts	Available money market rates

Lending institution	Facility obtained	Assets pledged	Interest rate
Ceymac Rubber Company Limited			
Hatton National Bank PLC	To finance the manufacture and export 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 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

30. Income tax payable >

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	107,672	73,551	108,000	73,879
Add:				
Income tax provision for the year	370,718	185,475	337,087	185,475
Under provision in respect of previous year	–	(5)	–	(5)
Less:				
Income tax payments during the year	(283,731)	(151,349)	(280,392)	(151,349)
Balance at the end of the period	194,659	107,672	164,695	108,000

31. Trade and other payables >

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade payables to related parties	31.1	556,209	388,613	640,530	331,888
Other trade payables		564,150	694,951	433,655	536,168
Dividend payable		9,412	6,881	9,412	6,881
Accruals		124,164	74,862	111,662	63,292
Pre-paid advances		66,258	72,353	66,195	72,290
Sundry creditors		9,933	10,443	9,933	10,443
Other provisions		274,674	196,377	248,458	187,126
Refund liabilities		139,356	178,495	139,356	178,495
Other payables		42,163	3,186	42,200	3,156
		1,786,319	1,626,161	1,701,401	1,389,739

31.1 Trade payables to related parties

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Sunquick Lanka Properties (Private) Limited	–	–	1,097	–
Colombo Fort Group Services (Private) Limited	43	–	43	–
Sunquick Lanka (Private) Limited	537,634	382,633	620,847	326,182
ACME Packaging Solutions (Private) Limited	–	2,579	–	2,579
J F Packaging (Private) Limited	639	274	650	–
Kiffs (Private) Limited	17,893	3,127	17,893	3,127
	556,209	388,613	640,530	331,888

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.

The Company carried out transactions in the ordinary course of business on arm's length basis with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard-LKAS 24 "Related Party Disclosures".

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	
			2023 Rs. '000	2022 Rs. '000
Ceymac Rubber Company Limited	Subsidiary	Interest on current account balance	17,795	5,917
Directors:		Service fees	8,142	7,776
Mr. H. D. S. Amarasuriya (appointed w.e.f 25 July 2022)		Inter company sales/(purchases)	(1,362)	201
Mr. W. T. Ellawala (retired w.e.f 25 July 2022)		Export handling fee	20,294	21,973
		Expense reimbursements	14,099	44,424
		Rental paid	(9,908)	(6,592)
		Short-term loan granted	132,800	110,700
		Short-term loan settlements	(148,800)	(182,700)
		Inter-company settlements	(125,918)	(26,828)

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

Name of the related party For the year ended 31 March	Relationship	Nature of the transaction	Amounts (paid)/received	
			2023 Rs. '000	2022 Rs. '000
Ceytra (Private) Limited	Subsidiary	Interest on current account balance	(946)	(45)
Directors:		Service fees	3,983	2,592
Mr. H. D. S. Amarasuriya (appointed w.e.f 25 July 2022)		Inter-company sales/(purchases)	1,913	24
Mr. W. T. Ellawala (retired w.e.f 25 July 2022)		Investment related transactions	-	-
		Short-term loan granted	-	5,400
		Short-term loan settlements	(941)	(6,800)
		Net settlements	(20,728)	(14,445)
		Expense reimbursements	15,930	18,423

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

Kelani Valley Canneries Limited	Subsidiary	Interest on current account balance	9,866	3,164
Directors:		Inter company purchases	(362,279)	(208,934)
Mr. H. D. S. Amarasuriya (appointed w.e.f 25 July 2022)		Inter company sales	20,189	17,659
Mr. W. T. Ellawala (retired w.e.f 25 July 2022)		Expense reimbursements	41,660	25,703
Dr. T. Senthilvel		Net settlements	274,968	159,460
Mr. K. T. A. Mangala Perera		Service fee	2,714	2,592
Ms. C. R. Ranasinghe		Short-term loan granted	259,700	146,000
Mr. Anushman Rajaratnam		Short-term loan settlements	(241,700)	(146,000)

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	Expense reimbursements	(2,918)	(1,319)
Directors:		Net settlements	1,821	1,168
Mr. H. D. S. Amarasuriya (appointed w.e.f 29 July 2022)				
Mr. W. T. Ellawala (retired w.e.f 29 July 2022)				
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	
For the year ended 31 March			2023 Rs. '000	2022 Rs. '000
Sunquick Lanka (Private) Limited	Jointly controlled	Inter-company purchases	(2,534,901)	(1,437,026)
Directors:	entity	Inter-company sales	136,958	2,044
Mr. H. D. S. Amarasuriya (appointed w.e.f 29 July 2022)		Net settlements	1,948,674	1,307,020
Mr. W. T. Ellawala (retired w.e.f 29 July 2022)		Expense reimbursements	156,914	105,971
Mr. Anushman Rajaratnam		Interest on current account balance	(2,819)	–
Mr. K. T. A. Mangala Perera		Investment related fund transfers	240,000	–
		Service rendered	509	524

Sunquick Lanka (Private) Limited investment related transaction amount classified under trade and other receivables.

Ceylon Trading Company Limited	Affiliate	Rent income	2,700	2,592
Directors:		Secretarial and legal fees	(22,010)	(18,025)
Mr. W. T. Ellawala		Inter-company sales	286	4
Ms. C. R. Ranasinghe		Management fees/overheads	(11,750)	(21,904)
		Net settlements	28,458	35,391
		Expense reimbursements	2,633	2,026
Lanka Special Steels Limited	Common	Inter-company sales	2,926	–
Directors:	directors	Net settlements	(2,690)	–
Mr. S. D. R. Arudpragasam				
Mr. Sanjeev Rajaratnam				
Colombo Fort Group Services (Private) Limited	Common	Services received	(13,099)	(11,495)
Directors:	directors	Net settlements	12,710	11,841
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				

Name of the related party For the year ended 31 March	Relationship	Nature of the transaction	Amounts (paid)/received	
			2023 Rs. '000	2022 Rs. '000
Union Commodities (Private) Limited	Common	Inter-company purchases	(276,021)	(151,910)
Directors:	directors	Inter-company sales	3,358	2,341
Mr. S. D. R. Arudpragasam		Net settlements	199,905	79,384
Mr. Anushman Rajaratnam		Advance payments for purchases	79,528	70,177
Mr. A. M. De S Jayarathne		Expense reimbursements	–	(40)
		Services received	–	–
Lankem Ceylon PLC	Common	Inter-company purchases	(1,178)	(300)
Directors:	directors	Net settlements	1,256	47
Mr. S. D. R. Arudpragasam		Expense reimbursements	–	–
Mr. Anushman Rajaratnam		Advance payments	–	145
Mr. A. Hettiarachchy		Short-term loan settlements	(118,702)	(100,000)
		Interest on loan granted	7,400	11,302
E B Creasy & Company PLC	Common	Services received	–	(174)
Directors:	directors	Inter-company sales	328	11
Mr. S. D. R. Arudpragasam		Net settlements	(206)	158
Mr. Sanjeev Rajaratnam				
Mr. A. M. De S Jayarathne				
Sigiri Village Hotels PLC	Common	Inter-company sales	376	–
Directors:	directors	Net settlements	(296)	–
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
Mr. C. P. R. Perera*				
Mr. Sanjeev Rajaratnam				
C. W. Mackie Group Staff Non-Contributory Gratuity Fund	Defined benefit plan	Amount paid to gratuity fund	(9,894)	(10,333)
		Amount paid by gratuity fund to employees	5,062	5,171
Ceylon Tapes (Private) Limited	Common	Inter-company sales	989	421
Directors:	directors	Net settlements	(421)	–
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				
Mr. A. Hettiarachchy				

Name of the related party For the year ended 31 March	Relationship	Nature of the transaction	Amounts (paid)/received	
			2023 Rs. '000	2022 Rs. '000
Marawila Resorts PLC	Common	Inter-company sales	8,348	284
Directors:	directors	Net settlements	(5,810)	–
Mr. S. D. R. Arudpragasam		Services received	(80)	–
Mr. C. P. R. Perera*				
Mr. Sanjeev Rajaratnam				
J F Packaging (Private) Limited	Common	Inter-company sales	–	(437)
Directors:	directors	Inter-company purchases	(5,777)	(97)
Mr. Anushman Rajaratnam		Net settlements	5,127	534
Mr. A. Hettiarachchy				
Mr. S. D. R. Arudpragasam				
Mr. Sanjeev Rajaratnam				
Beruwala Resorts PLC	Common	Inter-company purchases	493	–
Directors:	directors	Net settlements	(493)	–
Mr. S. D. R. Arudpragasam				
Mr. Anushman Rajaratnam				
Mr. C. P. R. Perera*				
Mr. Sanjeev Rajaratnam				
Colonial Motors (Ceylon) Limited	Common	Services rendered	(539)	(1,293)
Directors:	directors	Net settlements	539	1,326
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				
Mr. A. M. De S Jayarathne				
Mr. Sanjeev Rajaratnam				
ACME Packaging Solutions (Private) Limited	Common	Inter-company purchases	(38,450)	(20,166)
Directors:	directors	Net settlements	41,029	17,587
Mr. A. Hettiarachchy				
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				
Kiffs (Private) Limited	Common	Inter-company purchases	(323,509)	(84,467)
Directors:	directors	Net settlements	308,743	89,128
Mr. Anushman Rajaratnam				
Mr. S. D. R. Arudpragasam				

* appointed as a director to C. W. Mackie PLC on 16 November 2022

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	2023		2022	
				Rs. '000	As a % of net revenue	Rs. '000	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	2,534,901	14.5	1,437,026	11.89
		Sale of Sugar to manufacture "Sunquick" branded products	On arms length terms in ordinary course of business	136,958	0.78	2,044	0.02
				2,671,859	15.29	1,439,070	11.91

Aggregate value of the recurrent related party transactions with Sunquick Lanka (Private) Limited during the financial year 2022/23 exceeds 10% of the gross revenue of 2022/23 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 2023.

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	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Short-term employee benefits	88,609	37,750	84,880	34,732
Post-employment benefits paid	30,000	–	30,000	–
Total compensation paid to key management personnel	118,609	37,750	114,880	34,732

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 other than disclosed in Note 33.1.

33.1 Dividend

The Directors of C. W. Mackie PLC have recommended the payment of a first and final dividend of Rs. 12/- per ordinary share amounting to Rs. 431,862,672/- for the year ended 31 March 2023 for approval by the shareholders at the Annual General Meeting to be held on 27 July 2023. In accordance with the Sri Lanka Accounting Standard 10 (LKAS 10) "Events after the Reporting Period", this proposed dividend has not been recognised as a liability as at 31 March 2023.

34. Contingent liabilities ►

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

Outstanding as at 31 March	2023 Rs. Million	2022 Rs. Million
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
Short term loan facilities:		
Ceymac Rubber Company Limited	36	76
Kelani Valley Canneries Limited	113	70
Total	149	146

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, Kelani Valley Canneries Limited and Sunquick Lanka Properties (Private) Limited for short-term loan facilities/temporary bridging short term loan facility, where repayment terms are less than 12 months.

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

35. Capital commitments ►

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

36. Comparative figures ►

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

37. Financial risk management ➤

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risks limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors oversees how management monitor compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Company's Directors are assisted in their oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of the risk management controls and producers, the result of which are reported to the Company's Directors.

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

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

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

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

37.1 Credit risk

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

Exposure to credit risk

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

As at 31 March	Carrying amount			
	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Trade receivables from related parties	25,008	15,120	54,904	133,150
Interest bearing short-term loan to related parties	–	111,302	–	111,302
Trade receivables	2,874,775	2,405,893	2,704,611	2,266,398
Non-trade receivables from related parties	209,104	–	209,104	–
Deposits	20,993	11,106	18,583	8,196
Loans to employees	32,029	23,178	10,875	6,466
Other receivables	476,143	791,199	388,064	665,207
Balances with banks	194,532	179,099	158,723	130,612
Total	3,832,584	3,536,897	3,544,864	3,321,331

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 2023		31 March 2022	
	Gross Balance Rs. '000	Impairment Rs. '000	Gross Balance Rs. '000	Impairment Rs. '000
Group				
Past due 0-30 days	1,896,078	–	1,536,624	–
Past due 31-90 days	885,904	–	768,391	–
Past due 91-180 days	102,993	10,200	88,998	–
Past due 181-270 days	21,008	21,008	24,935	13,055
Past due 271-365 days	41,981	41,981	18,707	18,707
More than one year	47,046	47,046	88,612	88,612
Total	2,995,010	120,235	2,526,267	120,374
Company				
Past due 0-30 days	1,780,503	–	1,436,522	–
Past due 31-90 days	831,731	–	735,439	–
Past due 91-180 days	101,266	8,889	83,002	–
Past due 181-270 days	20,995	20,995	23,476	12,041
Past due 271-365 days	41,981	41,981	18,135	18,135
More than one year	41,321	41,321	83,540	83,540
Total	2,817,797	113,186	2,380,114	113,716

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 trade receivables as at the reporting date by geography was as follows:

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Domestic	2,784,774	2,212,889	2,635,943	2,097,613
Asian region	126,300	126,597	126,289	117,829
European region	75,456	149,947	48,644	130,641
African region	6,611	12,519	6,611	9,716
Southern American region	310	22,175	310	22,175
Northern American region	1,559	–	–	–
Middle East region	–	2,140	–	2,140
Total	2,995,010	2,526,267	2,817,797	2,380,114

Cash and cash equivalents

The Group and Company held cash and cash equivalents of Rs. 197.8 million (2022-Rs. 181.8 million) and Rs. 161.7 million (2022-Rs. 132.9 million) retrospectively at 31 March 2023 which represent its maximum credit exposure on these assets.

Guarantees

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

Outstanding as at 31 March	2023 Rs. Million	2022 Rs. Million
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	36	76
Kelani Valley Canneries Limited	113	70
Total	149	146

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 three : Lifetime expected credit losses (ECL) – credit impaired

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

	Notes	12-month ECL Rs. '000	Life Time ECL – Not Credit Impaired Rs. '000	Life Time ECL – Credit Impaired Rs. '000	Unclassified Rs. '000	Total Rs. '000
As at 31 March 2023						
Group						
Cash and cash equivalents	19	197,856	–	–	–	197,856
Trade and other receivables	16	3,638,052	–	–	–	3,638,052
Other non-financial assets		–	–	–	5,476,470	5,476,470
Total assets		3,835,908	–	–	5,476,470	9,312,378
Company						
Cash and cash equivalents	19	161,722	–	–	–	161,722
Trade and other receivables	16	3,386,141	–	–	–	3,386,141
Other non-financial assets		–	–	–	4,338,101	4,338,101
Total assets		3,547,863	–	–	4,338,101	7,885,964
As at 31 March 2022						
Group						
Cash and cash equivalents	19	181,752	–	–	–	181,752
Trade and other receivables	16	3,246,496	–	–	–	3,246,496
Interest bearing short-term loan to related parties	17	111,302	–	–	–	111,302
Other non-financial assets		–	–	–	4,865,622	4,865,622
Total assets		3,539,550	–	–	4,865,622	8,405,172
Company						
Cash and cash equivalents	19	132,940	–	–	–	132,940
Trade and other receivables	16	3,079,417	–	–	–	3,079,417
Interest bearing short-term loan to related parties	17	111,302	–	–	–	111,302
Other non-financial assets		–	–	–	3,709,220	3,709,220
Total assets		3,323,659	–	–	3,709,220	7,032,879

37.2 Liquidity risk

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

As at 31 March 2023, Group has unutilised borrowing facilities amounting to Rs. 178.7 Million (2022-Rs.254.7 million) representing 8.5% (2022-12.9%) of the total borrowing facilities from the consortium of banks, i.e. Hatton National Bank PLC, Commercial Bank of Ceylon PLC and NDB Bank PLC.

The following are the contractual maturities of financial liabilities:

As at 31 March	Note	2023			2022		
		Carrying amount Rs. '000	0-12 months Rs. '000	More than 1 year Rs. '000	Carrying amount Rs. '000	0-12 months Rs. '000	More than 1 year Rs. '000
Group							
Financial liabilities (non derivatives)							
Long-term borrowings	24.2	241,453	52,548	188,905	305,764	65,769	239,995
Lease liability	25.1, 25.2	94,215	30,400	63,815	76,386	24,232	52,154
Interest bearing short term borrowings	29	2,152,140	2,152,140	–	2,066,793	2,066,793	–
Trade and other payable		1,230,110	1,230,110	–	1,237,548	1,237,548	–
Trade payables to related parties	31.1	556,209	556,209	–	388,613	388,613	–
Bank overdrafts	19	217,809	217,809	–	195,646	195,646	–
Total		4,491,936	4,239,216	252,720	4,270,750	3,978,601	292,149
Company							
Financial liabilities (non-derivatives)							
Long term borrowings	24.2	79,912	20,088	59,824	100,000	21,546	78,454
Lease liability	25.1, 25.2	94,215	30,400	63,815	76,180	24,026	52,154
Interest bearing short-term borrowings	29	2,022,140	2,022,140	–	1,920,793	1,920,793	–
Trade and other payable		1,060,871	1,060,871	–	1,057,851	1,057,851	–
Trade payables to related parties	31.1	640,530	640,530	–	331,888	331,888	–
Bank overdrafts	19	159,993	159,993	–	161,560	161,560	–
Total		4,057,661	3,934,022	123,639	3,648,272	3,517,664	130,608

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

37.3 Market risk

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

37.3.1 Currency risk

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

Exposure to currency risk

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

As at 31 March	2023		2022	
	USD	Euro	USD	Euro
Group				
Trade and other payables	(565,952)	(2,070)	(387,365)	(24,943)
Trade and other receivables	763,541	114,943	2,080,042	247,643
Cash and cash equivalents	523,028	6,762	229,308	155,865
Gross statement of financial position exposure	720,617	119,635	1,921,985	378,565
Company				
Trade and other payables	(561,657)	(2,070)	(387,365)	(24,943)
Trade and other receivables	714,655	114,943	2,038,912	208,127
Cash and cash equivalents	515,198	6,691	205,295	155,647
Gross statement of financial position exposure	668,196	119,564	1,856,842	338,831

The following significant exchange rates were applicable during the year:

	Average rate		Reporting date spot rate	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
USD	355.73	205.48	327.50	292.00
Euro	373.11	238.43	357.27	326.41

Sensitivity analysis

A strengthening or weakening of the LKR, as indicated below, against the USD and Euro at 31 March 2023 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	Weakening Profit or Loss Rs. '000
Group		
As at 31 March 2023		
USD (10% movement)	(23,600)	23,600
Euro (10% movement)	(4,274)	4,274
As at 31 March 2022		
USD (10% movement)	18,137	(18,137)
Euro (10% movement)	(4,299)	4,299
Company		
As at 31 March 2023		
USD (10% movement)	(21,883)	21,883
Euro (10% movement)	(4,272)	4,272
As at 31 March 2022		
USD (10% movement)	(54,220)	54,220
Euro (10% movement)	(11,060)	11,060

37.3.2 Interest rate risk

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

As at 31 March	Note	Carrying amount			
		Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Fixed rate instruments					
Financial assets					
Related party receivables-subsidiaries		–	–	29,654	118,183
Financial liabilities					
Related party payables-subsidiaries		–	–	1,097	–
Lease liability	25	(94,215)	(76,386)	(94,215)	(76,180)
		(94,215)	(76,386)	(63,464)	42,003
Variable rate instruments					
Financial assets					
RFC deposits		173,708	117,834	171,118	110,751
Interest bearing short-term loan to related parties	17	–	111,302	–	111,302
Short-term deposits		–	–	–	–
Financial liabilities					
Long term borrowings	24	(241,453)	(305,764)	(79,912)	(100,000)
Bank overdrafts	19	(217,809)	(195,646)	(159,993)	(161,560)
Short-term money market borrowings	29	(2,152,140)	(2,066,793)	(2,022,140)	(1,920,793)
		(2,437,694)	(2,339,067)	(2,090,927)	(1,960,300)

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	2023 Profit or loss Rs. '000	2022 Profit or loss Rs. '000
Group		
Variable rate instruments (1% decrease)	24,377	116,953
Variable rate instruments (1% increase)	(24,377)	(116,953)
Company		
Variable rate instruments (1% decrease)	20,909	98,015
Variable rate instruments (1% increase)	(20,909)	(98,015)

37.4 Operational risk

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

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

37.5 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, excluding 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:

As at 31 March	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Total liabilities		5,163,549	4,766,430	4,382,629	3,909,644
Less:					
Cash and cash equivalents	19	(197,856)	(181,752)	(161,722)	(132,940)
Net debts		4,965,693	4,584,678	4,220,907	3,776,704
Total equity		3,797,087	3,310,220	3,503,335	3,123,235
Net debt to equity ratio		1.31	1.39	1.20	1.21

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.

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.

37.6 Fair values of financial instruments

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

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

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments;

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 non-financial 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:

As at 31 March	Note	Level I		Level II		Level III		Total	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Group									
Non financial assets									
Freehold land	12.1	–	–	–	–	1,278,768	1,278,768	1,278,768	1,278,768
		–	–	–	–	1,278,768	1,278,768	1,278,768	1,278,768
Company									
Non financial assets									
Freehold land	12.2	–	–	–	–	363,908	363,908	363,908	363,908
		–	–	–	–	363,908	363,908	363,908	363,908

(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:

As at 31 March	Group		Company	
	2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Balance at the beginning of the year	1,278,768	744,057	363,908	172,057
Addition/revaluation during the year	–	534,711	–	191,851
Disposal during the year	–	–	–	–
Impairment	–	–	–	–
Balance at the end of the year	1,278,768	1,278,768	363,908	363,908

As per the valuation carried out on 31 March 2022, 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 is disclosed under Note 12.3	Estimated fair value would increase/(decrease) if, Price per perch increases/ (decreases) Price per square foot increases/ (decreases)



Supplementary Information

7.1	Ten Year Summary	148
7.2	Consolidated Statement of Value Added	150
7.3	Investor Information	152
7.4	Glossary of Financial Terms	154
7.5	Notice of Annual General Meeting	156

7.1 Ten Year Summary

Year	2014 Rs. '000	2015 Rs. '000	2016 Rs. '000	2017 Rs. '000	2018 Rs. '000
Operating results					
Revenue	7,343,741	7,618,108	7,859,633	8,837,350	9,919,740
Results from operating activities	374,629	326,484	409,788	416,439	373,957
Net financing income/(costs)	(62,146)	(52,711)	(7,865)	(67,371)	(96,728)
Share of joint venture's profit/(loss)	–	–	–	–	(20,697)
Profit before taxation	312,483	273,773	401,923	349,068	256,532
Income tax expense	(103,154)	(94,318)	(123,401)	(111,937)	(86,685)
Profit after tax	209,329	179,455	278,522	237,131	169,847
Other comprehensive income	2,355	(8,649)	6,606	10,056	(20,141)
Total comprehensive income	211,684	170,806	285,128	247,187	149,706
Non-controlling interests	1,171	(9,863)	(6,466)	978	668
Total comprehensive income-equity holders	210,513	180,669	291,594	246,209	149,038
Financial position					
Assets					
Non-current assets	886,279	880,463	864,854	812,094	1,308,390
Current assets	2,514,238	2,302,690	2,801,463	3,327,942	3,663,777
Total assets	3,400,517	3,183,153	3,666,317	4,140,036	4,972,167
Equity and liabilities					
Equity					
Stated capital	507,047	507,047	507,047	507,047	507,047
Capital reserves	8,734	8,734	8,734	8,734	8,734
Revenue reserves	1,247,551	1,320,112	1,502,686	1,622,935	1,620,820
Available-for-sale reserve	1,094	1,236	–	–	–
Equity attributable to equity holders of the Company	1,764,426	1,837,129	2,018,467	2,138,716	2,136,601
Non-controlling interests	46,190	34,615	28,031	29,009	323,866
Total equity	1,810,616	1,871,744	2,046,498	2,167,725	2,460,467
Non-current liabilities	150,545	122,473	92,038	78,684	124,287
Current liabilities	1,439,356	1,188,936	1,527,781	1,893,627	2,387,413
Total equity and liabilities	3,400,517	3,183,153	3,666,317	4,140,036	4,972,167
Ratios					
Basic earnings per share (Rupees)	5.82	4.99	7.74	6.57	4.68
Revenue growth rate (%)	-4.0%	3.7%	3.2%	12.4%	12.2%
Net profit ratio (%)	2.9%	2.4%	3.5%	2.7%	1.7%
Current ratio (1:)	1.75	1.94	1.83	1.76	1.53
Net asset per share (Rupees)	49.03	51.05	56.09	59.43	59.37
Net return on assets (%)	6.2%	5.6%	7.6%	5.7%	3.4%
Net return on capital employed (%)	19.1%	16.4%	19.2%	18.5%	13.7%
Assets turnover ratio (1:)	2.31	2.31	2.29	2.26	2.18
Dividends per share (Rupees)	3.00	3.00	3.00	3.50	3.50
Dividend payout ratio (%)	52%	60%	39%	53%	75%
Market value per share (Rupees)	60.90	54.30	54.60	54.70	48.60

2019 Rs. '000	2020 Rs. '000	2021 Rs. '000	2022 Rs. '000	2023 Rs. '000
9,695,319	8,593,307	10,927,486	13,163,499	19,207,748
394,777	137,986	542,859	808,468	2,146,965
(110,952)	(124,793)	(115,173)	55,082	(655,402)
46,659	7,963	(50,516)	(127,808)	(165,413)
330,484	21,156	377,170	735,742	1,326,150
(114,014)	(99,125)	(121,499)	(256,438)	(385,932)
216,470	(77,969)	255,671	479,304	940,218
392,163	(23,858)	(37,395)	477,729	(70,245)
608,633	(101,827)	218,276	957,033	869,973
21,511	(3,111)	(9,661)	(5,268)	23,220
587,122	(98,716)	227,937	962,301	846,753
1,920,305	2,204,003	2,256,548	2,783,375	2,591,946
3,815,786	3,827,782	4,994,885	5,621,797	6,720,432
5,736,091	6,031,785	7,251,433	8,405,172	9,312,378
507,047	507,047	507,047	507,047	507,047
368,162	368,162	362,219	746,852	672,883
1,722,554	1,496,693	1,730,573	2,056,321	2,617,157
-	-	-	-	-
2,597,763	2,371,902	2,599,839	3,310,220	3,797,087
345,377	343,451	333,790	328,522	351,742
2,943,140	2,715,353	2,933,629	3,638,742	4,148,829
373,245	411,682	357,892	679,819	729,386
2,419,706	2,904,750	3,959,912	4,086,611	4,434,163
5,736,091	6,031,785	7,251,433	8,405,172	9,312,378
5.65	(2.10)	7.35	13.67	25.46
-2.3%	-11.4%	27.2%	20.5%	45.9%
2.2%	-0.9%	2.3%	3.6%	4.9%
1.58	1.32	1.26	1.38	1.52
72.18	65.91	72.24	91.98	105.51
3.8%	-1.3%	3.5%	5.7%	10.1%
13.3%	4.7%	15.0%	15.8%	40.6%
1.81	1.46	1.65	1.68	2.17
3.50	3.50	-	7.00	10.00
62%	-167%	-	51%	39%
40.40	38.80	44.00	55.00	81.90

7.2 Consolidated Statement of Value Added

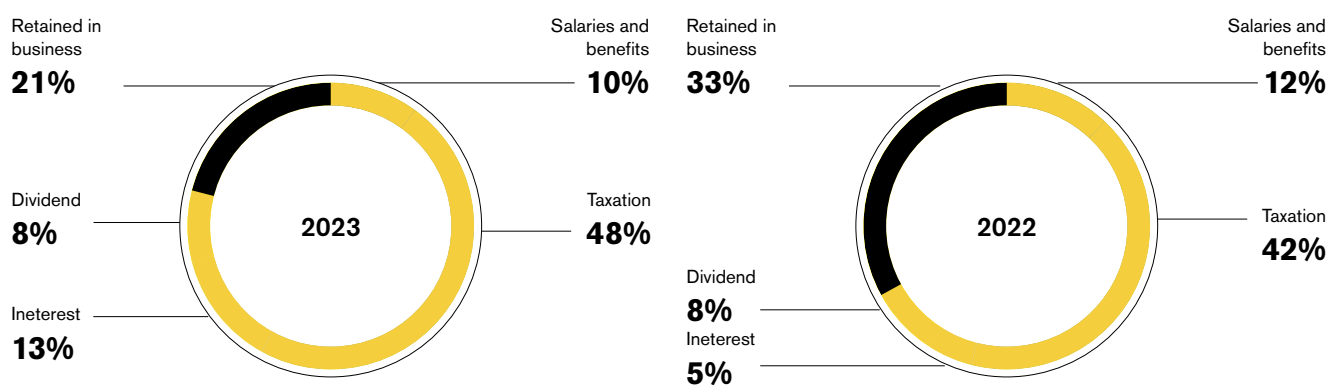
Organisations utilise raw materials and other inputs to create a saleable product. The difference between the sales income and the cost of bought-in-materials and services is generally regarded as the value added by the organisation. Value added, therefore, denotes the contribution made to the nation's 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	2023		2022	
	Rs. million		Rs. million	
Value added				
Sales made to external customers	19,207.7		13,163.5	
Less: material and services bought in from outside	(14,742.1)		(10,038.5)	
	4,465.6		3,125.0	
Add: other income	226.8		185.1	
Total value added available for distribution	4,692.4		3,310.1	

	2023			2022		
	Rs. million		%	Rs. million		%
Retained in business						
– Depreciation on fixed assets	147.9			143.7		
– Retained earnings	846.8	994.7	21.2	962.3	1,106.0	33.4
Total value added distributed	4,692.4	100.0		3,310.1	100.0	
No. of employees in Group	587			574		
Value added per employee (Rs '000)	7,994			5,767		

Distribution of value added



7.3 Investor Information

Financial calendar ►

One Hundredth

Annual General Meeting	– 28 July 2022
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Interim Reports

First Quarterly Report

3 months to 30 June 2022	– 9 August 2022
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Second Quarterly Report

6 months to 30 September 2022	– 26 October 2022
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Third Quarterly Report

9 months to 31 December 2022	– 2 February 2023
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Fourth Quarterly Report

12 months to 31 March 2023	– 26 May 2023
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Annual Report – Financial Year 2022/23	– 3 July 2023
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One Hundred and First Annual General Meeting	– 27 July 2023
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Distribution schedule of shareholders ►

As at 31 March		2023			2022		
Holdings (Shares)		No. of Holders	Total Shares	Holders %	No. of Holders	Total Shares	Holders %
1 – 1,000		2,241	427,091	1.19	2,157	433,229	1.20
1,001 – 10,000		319	1,048,490	2.91	303	971,778	2.70
10,001 – 100,000		58	1,829,327	5.08	52	1,757,949	4.89
100,001 – 1,000,000		12	2,977,612	8.28	8	2,418,309	6.72
Over – 1,000,000		5	29,706,036	82.54	5	30,407,291	84.49
		2,635	35,988,556	100.00	2,525	35,988,556	100.00

Twenty largest shareholders ➤

As at 31 March		2023		2022	
Name of Shareholder		No. of Shares (Voting)	%	No. of Shares (Voting)	%
1.	Lankem Ceylon PLC	16,006,441	44.48	16,006,441	44.48
2.	Seylan Bank PLC/Senthilvel Holdings (Pvt) Limited	8,400,209	23.34	8,701,464	24.18
3.	Union Bank of Colombo PLC/Lankem Ceylon PLC	2,137,526	5.94	2,137,526	5.94
4.	Sampath Bank PLC/Dr. T. Senthilvel	1,782,575	4.95	1,782,575	4.95
5.	Pan Asia Banking Corporation PLC/Lankem Ceylon PLC	1,379,285	3.83	1,779,285	4.94
6.	Acuity Partners (Pvt) Limited/Union Investment (Pvt) Limited	950,000	2.64	950,000	2.64
7.	Corporate Holdings (Pvt) Limited Account No. 1	307,982	0.86	249,982	0.69
8.	Colombo Fort Investments PLC	247,285	0.69	25,500	0.07
9.	Colombo Investment Trust PLC	219,060	0.61	38,951	0.11
10.	Mr. D. F. G. Dalpethado	193,175	0.54	15,045	0.04
11.	Ravi Exports (Pvt) Limited	185,380	0.52	N/A	N/A
12.	Access Engineering PLC	174,119	0.48	N/A	N/A
13.	Mr. P. P. Anandarajah	155,100	0.43	155,100	0.43
14.	Mr. M. A. Lukmanjee	155,000	0.43	155,000	0.43
15.	Oakley Investments (Pvt) Limited	153,239	0.43	53,239	0.15
16.	Sampath Bank PLC/Mr. G. S. N. Peiris	132,272	0.37	N/A	N/A
17.	Mr. H. A. R. Pieris	105,000	0.29	80,000	0.22
18.	Mr. K. D. Y. Pathiraja	100,000	0.28	N/A	N/A
19.	Sir F. I. Raheemtoola	90,000	0.25	90,000	0.25
20.	Mr. D. N. P. Rathnayake	83,854	0.23	285,037	0.79

Categories of Shareholders ➤

As at 31 March		2023		2022		
Categories	No. of Holders	Share Holdings	Total %	No. of Holders	Share Holdings	Total %
Individuals	2,537	3,352,269	9.31	2,432	3,077,796	8.55
Institutions	98	32,636,287	90.69	93	32,910,760	91.45
	2,635	35,988,556	100.00	2,525	35,988,556	100.00
Public	2,618	4,185,830	11.63	2,509	4,148,974	11.53

The float adjusted market capitalisation of the Company as at 31 March 2023 is Rs. 342,789,916/24.

The float adjusted market capitalisation of the Company falls under Option 2 of Rule 7.13.1(b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

7.4 Glossary of Financial Terms

Accrual basis ►

Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Contingent liabilities ►

A condition or situation existing as at the date of the Report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

Current ratio ►

Current assets divided by current liabilities.

Debt/equity ratio ►

Debt as a percentage of shareholders' funds and non-controlling interests.

Debt/total assets ►

Debt as a percentage of total assets.

Dividend payout ratio ►

Dividend paid as a percentage of Group profits attributed to equity holders.

Dividend yield ►

Dividends adjusted for changes in number of shares in issue as a percentage of the share price (diluted) at the end of the period.

Deferred taxation ►

The net tax effect on items which have been included in the Income Statement, which would only qualify for inclusion on a tax return at a future date.

Earnings per share (basic) ►

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT ►

Earnings before interest expense and tax (includes other operating income). Note that EBIT includes fair value gains and losses on investment property, depreciation and amortisation, and share of results of equity accounted investees, but excludes exchange gains or losses (other than that of equity accounted investees).

ECL (Expected Credit Loss) ►

The weighted average of credit losses with the respective risks of a default occurring as the weights.

Effective rate of taxation ►

Tax expense divided by profit before tax.

Fair value ►

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instrument ►

Financial instrument is any contract that gives rise to both financial assets in one entity and a financial liability or equity instrument in another entity.

Interest cover ►

Consolidated profit before interest and tax over interest expense.

Joint venture ►

A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Net assets ➤

Total assets minus current liabilities, long-term liabilities, and non-controlling interests.

Net assets per share ➤

Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

Return on assets ➤

Profit after tax divided by the average total assets.

Net profit margin ➤

Profit after tax attributable to equity holders of the parent divided by total revenue including equity accounted investees.

Non-controlling interest ➤

Equities in subsidiary not attributable, directly or indirectly to a parent.

Price earnings ratio ➤

Market price per share over earnings per share.

Return on capital employed (ROCE) ➤

EBIT as a percentage of average capital employed.

Return on equity (ROE) ➤

Profit attributable to shareholders as a percentage of average shareholders' funds.

Related parties ➤

Parties who could control or significantly influence the financial and operating policies of the business.

Shareholders' Funds ➤

Total of stated capital, other components of equity and revenue reserves.

Segment ➤

Constituent business units grouped in terms of similarity of operations and location.

Total debt ➤

Long and short-term loans, including overdrafts and the liability arising out of the issue of convertible debentures, but excluding lease liabilities. Instances where total debt includes lease liabilities and/or excludes the liability arising out of the issue of convertible debentures are explicitly mentioned.

Total equity ➤

Shareholders' funds plus non-controlling interest.

Value addition ➤

The quantum of wealth generated by the activities of the Group measured as the difference between turnover and the cost of materials and services bought in.

Working capital ➤

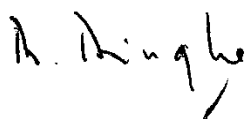
Current assets minus current liabilities

7.5 Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the One Hundred and First (101st) Annual General Meeting of **C. W. Mackie PLC** will be held at Level 6, Public Forum, The Institute of Chartered Accountants of Sri Lanka, No. 30A, Malalasekera Mawatha (Longdon Place), Colombo 7 on Thursday, 27 July 2023 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 2023 with the Report of the Auditors thereon.
2. To declare a Dividend as recommended by the Directors.
3. To approve the re-election of Dr. T. Senthilvel, who retires by rotation in terms of Article 89 of the Articles of Association and who is over 70 years of age, under and in terms of Section 211 of the Companies Act No. 7 of 2007 as a Director of the Company.*
4. To approve the re-election of Mr. C. P. R. Perera, who retires in terms of Article 95 of the Articles of Association and who is over 70 years of age, under and in terms of Section 211 of the Companies Act No. 7 of 2007 as a Director of the Company.**
5. To approve the re-appointment of Mr. Hemaka 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. ***
6. To approve the re-appointment of Mr. S. D. R. Arudpragasam, 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 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. *****
8. To approve the re-appointment of Mr. A. Hettiarachchi, who is over 70 years of age, under and in terms of Section 211 of the Companies Act No.7 of 2007 as a Director of the Company. *****
9. To authorise the Directors to determine and make donations.
10. To re-appoint KPMG, Chartered Accountants, as Auditors to the Company and authorise the Directors to determine their remuneration.

By Order of the Board



Ms. C. R. Ranasinghe
Executive Director/Company Secretary

Colombo
3 July 2023

Notes:

*A Notice dated 14 June 2023 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. Senthilvel as a Director of the Company under and in terms of Section 211 of the Companies Act No. 7 of 2007:

"That Dr. Thirugnanasambandar Senthilvel who retires by rotation in terms of Article 89 of the Articles of Association and who is seventy seven years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Dr. Thirugnanasambandar Senthilvel."

**A Notice dated 14 June 2023 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. C. P. R. Perera as a Director of the Company under and in terms of Section 211 of the Companies Act No. 7 of 2007:

"That Mr. Chrisantha Priyange Richard Perera who retires in terms of Article 95 of the Articles of Association and who is seventy nine years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Mr. Chrisantha Priyange Richard Perera."

***A Notice dated 14 June 2023 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. Hemaka Amarasuriya as a Director of the Company under and in terms of Section 211 of the Companies Act No. 7 of 2007:

"That Mr. Hemaka Devapriya Senarath Amarasuriya who is seventy 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. Hemaka Devapriya Senarath Amarasuriya."

****A Notice dated 14 June 2023 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. S. D. R. Arudpragasam as a Director of the Company under and in terms of Section 211 of the Companies Act No. 7 of 2007:

"That Mr. Sri Dhaman Rajendram Arudpragasam who is seventy one years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Sri Dhaman Rajendram Arudpragasam."

*****A Notice dated 14 June 2023 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 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 Deshabandu Ajit Mahendra de Silva Jayaratne."

*****A Notice dated 14 June 2023 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. A. Hettiarachchy as a Director of the Company under and in terms of Section 211 of the Companies Act No. 7 of 2007:

"That Mr. Ariyawansa Hettiarachchy who is seventy four years of age be and is hereby re-appointed a Director of the Company and it is further specially declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Mr. Ariyawansa Hettiarachchy."

- (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/her behalf.
- (ii) A Proxy need not be a member of the Company.
- (iii) A Form of Proxy is enclosed for this purpose.

- (iv) 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. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the meeting and submit the same to the Company in accordance with the instructions for completion of the Form of Proxy.
- (v) The instrument appointing the Proxy must be deposited at the Registered Office of the Company, No. 36, D. R. Wijewardena Mawatha, Colombo 10 or sent via email to companysecretary@cwmmackie.com not later than 2.30 p.m. on 25 July 2023 being 48 hours before the time appointed for the holding of the Meeting.
- (vi) In the event the Company is required to take any further action in relation to the Meeting and/or any communications, guidelines, directives or orders issued by the Government of Sri Lanka due to COVID-19 pandemic and/or other prevailing situation in the country, notice of such action shall be given by way of an announcement to the Colombo Stock Exchange (www.cse.lk), Company's website (www.cwmmackie.com) and/or in the local newspapers.

Form of Proxy

I/We.....
..... of being a member/members of

C. W. Mackie PLC hereby appointof
..... or failing him/her

Hemaka Devapriya Senarath Amarasuriya	or failing him
Camani Renuka Ranasinghe	or failing her
Ajit Mahendra de Silva Jayaratne	or failing him
Anushman Rajaratnam	or failing him
Sri Dhaman Rajendram Arudpragasam	or failing him
Thirugnanasambandar Senthilvel	or failing him
Karawa Thantrige Aruna Mangala Perera	or failing him
Sanjeev Rajaratnam	or failing him
Ariyawansa Hettiarachchy	or failing him
Edirisinghe Arachchige Anura Kumara Edirisinghe	or failing him
Chrisantha Priyange Richard Perera	

as my/our Proxy to represent me/us and speak and vote on my/our behalf as indicated below at the One Hundred and First (101st) Annual General Meeting of the Company to be held on Thursday, 27 July 2023 at 2.30 p.m. 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 2023 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a Dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the re-election of Dr. T. Senthilvel, who retires by rotation in terms of Article 89 of the Articles of Association and who is over 70 years of age, under and in terms of Section 211 of the Companies Act No. 7 of 2007 as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve the re-election of Mr. C. P. R. Perera, who retires in terms of Article 95 of the Articles of the Association and who is over 70 years of age, under and in terms of Section 211 of the Companies Act No. 7 of 2007 as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To approve the re-appointment of Mr. Hemaka 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.	<input type="checkbox"/>	<input type="checkbox"/>
6. To approve the re-appointment of Mr. S. D. R. Arudpragasam, 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.	<input type="checkbox"/>	<input type="checkbox"/>
7. 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.	<input type="checkbox"/>	<input type="checkbox"/>
8. To approve the re-appointment of Mr. A. Hettiarachchy, 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.	<input type="checkbox"/>	<input type="checkbox"/>
9. To authorise the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>
10. To re-appoint KPMG, Chartered Accountants, as Auditors to the Company and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of2023.

..... NIC/Passport No./Company Registration No. Signature of Member/s
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Notes:

- (1) The Proxyholder may vote as he/she 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 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 as your Proxy, please insert legibly the relevant details in the space provided on the Form of Proxy and initial against this entry and forward same to the Company Secretary.
3. If the Form of Proxy is signed by an Attorney, the relative valid Power of Attorney or a notarially certified copy thereof should also accompany the completed Form of Proxy, 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/she thinks fit.
6. The instrument appointing the Proxy must be deposited at the Registered Office of the Company, No. 36, D. R. Wijewardena Mawatha, Colombo 10 or sent via email to companysecretary@cwmmackie.com not later than 2.30 p.m. on 25 July 2023 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

Hemaka Amarasuriya

(Chairman/Chief Executive Officer – from 28 July 2022)

W. T. Ellawala

(Chairman/Chief Executive Officer – upto 28 July 2022)

Ms. C. R. Ranasinghe

A. M. de S. Jayaratne

Anushman Rajaratnam

S. D. R. Arudpragasam

Dr. T. Senthilvel

K. T. A. Mangala Perera

Sanjeev Rajaratnam

A. Hettiarachchy

E. A. A. K. Edirisinghe

C. P. R. Perera *(from 16 November 2022)*

Company Secretary

Ms. C. R. Ranasinghe

Registered Office and Corporate Head Office

No. 36, D. R. Wijewardena Mawatha, Colombo 10

Telephone: +94 11 243 554-62

Fax: +94 11 244 0228

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

Legal Advisors

Julius & Creasy

Attorneys-at-Law, Solicitors & Notaries Public

Group Management Committee

Hemaka Amarasuriya

Chairman/Chief Executive Officer

Ms. C. R. Ranasinghe

Executive Director/Company Secretary

K. T. A. Mangala Perera

Executive Director – Internal Trading

E. A. A. K. Edirisinghe

Executive Director – Export Trading

K. K. L. P. Yatiwella

Chief Financial Officer (from 1 October 2022)

N. J. P. Jayasinghe

Chief Operating Officer – Scan Products Division

E. S. Edirisinghe

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

P. Pavalachandran

General Manager – Group Financial Services/Director – Kelani Valley Canneries Limited

D. P. P. K. Weerasekera

General Manager – Industrial Products and Refrigeration & Air-conditioning (from 1 October 2022)

W. C. K. Indrapala

General Manager – Hempel Division (from 1 October 2022)

N. M. C. Nawaratne

General Manager – Sugar Division (from 1 October 2022)

J. M. S. C. Samarasinghe

General Manager – Sunquick Lanka (Private) Limited (from 1 March 2023)

L. M. Raveendra

General Manager – Group Treasury (upto 30 September 2022)

Ms. C. Welengoda

General Manager – Group Finance (upto 30 September 2022)

V. L. S. Ratnayake

General Manager – Kelani Valley Canneries Limited (upto 12 November 2022)



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