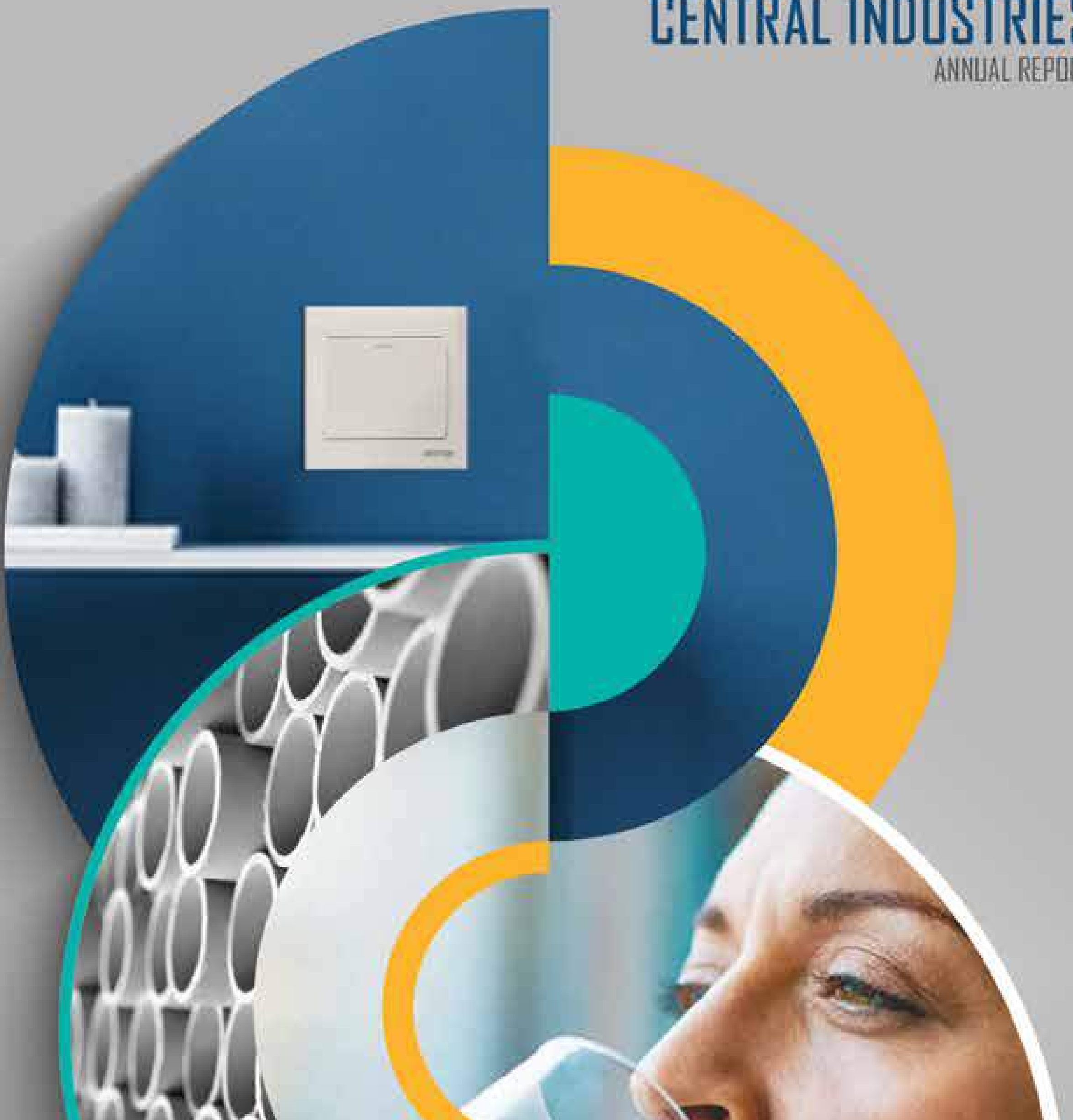
# CENTRAL INDUSTRIES PLC

ANNUAL REPORT 2022/23



Engine that Drives

## Achievement through Adversities

As challenges continued to compound, our journey during the year it was one where our strengths and capabilities became the key to perseverance. And by converging our capabilities, including the strengths of our team, we surpassed a year of multi-faceted adversities, achieving stability and a satisfactory level of growth.

As a manufacturer, the challenges we encountered emanated from all directions. With the rising cost of materials, import limitations and foreign currency shortages compounding our concerns, we had the task of fulfilling customer expectations; this was when the years of trust we have built with our patrons and customers also became a force for perseverance.

With the end of the financial year and amid a gradually recovering economy, we are optimistic about the future as positive developments continue to turn the economy around.

## Engine that Drives
# Achievement through Adversities

# CONTENTS

# ABOUT THIS REPORT


**Welcome to our first Integrated Annual Report for the reporting period which covers the period from 1st April 2022 to 31st March 2023. All the previous Annual Reports are available for viewing and downloading on our corporate website: www.nationalpvc.com**

## FEEDBACK AND QUERIES

Queries and clarifications, if any, are to be directed to:


## SCOPE AND BOUNDARY

The report presents key stakeholder engagements, the year's business environment, strategy, action, operations and financial performance, risk management, governance and social responsibility initiatives.

## REPORTING FRAMEWORKS

The report has been prepared in accordance with guidelines set out by the International Integrated Reporting Council (IIRD) framework, by adopting the six capitals models of financial capital manufactured capital, human capital, social and relationship capital, intellectual capital and natural capital, this report elaborates how we use integrated thinking to transform our capital resources (inputs) in order to deliver financial results and create value for our shareholders.

## SUSTAINABILITY REPORTING

UN Sustainable Development Goals (SDGs)

## THE FINANCIAL STATEMENTS IN THIS REPORT COMPLY WITH

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Sri Lanka Financial Reporting Standards – SLFRS
- Inland Revenue Act No. 24 of 2017
- The Companies Act No. 7 of 2007

## GOVERNANCE COMPLIANCE AND RISK REPORTING

- Code of Best Practice issued by the Institute of Chartered accountants of Sri Lanka
- Listing rules of the Colombo Stock Exchange (CSE)
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)

## BOARD RESPONSIBILITY

The Directors and senior management confirms the materiality and comprehensiveness of information and data in this Annual Report 2022/23. Messrs KPMG, Chartered Accountants provided external assurance for the financial statements and other statutory financial disclosures.

**Digital View**

The Annual Report is available on our official website, http://www.nationalpvc.com:9595/distsys/Annual_Report/Annual_Report_2022-23.pdf

# 7 THINGS TO KNOW ABOUT CENTRAL INDUSTRIES PLC

## Vision

"To be the preferred choice of the discerning customer for products and services in the construction industry"

## Mission

"Manufacture and provide products and services of consistent quality and reliability for the construction industry."

## VALUES

### Customers

- We aim to build long-term relationships with our customers. We believe in providing consistently high quality products and services.

### Customer Retention

- We believe in providing a quality service that creates customer satisfaction and customer retention.

### Employees

- Our employees are motivated and trained to always work as one team across all functions to deliver the best possible experience to our stakeholders.
- The ability and commitment of our employees are central to the success of the Company. Therefore, we help them enhance their skills, recognize and reward accomplishment, treat them with fairness and consideration and guide every individual to take responsibility for his/her actions.

### Stakeholders

- We set ambitious goals, yet we understand accountability to achieve these goals. We are committed to perform exceptionally well on behalf of our stakeholders.

### Suppliers

- Through cooperation we achieve quality and efficiency and honour our obligations to our suppliers.

### Community

- Compliance with the spirit of laws. Timely payment of Government taxes and dues. Eliminate the release of substances that may cause environmental damage.

## BACKGROUND AND PROMOTERS

The Company has almost a 4 decade long history in the industry. it has been operating since 1984 when the Company was founded by Central Finance PLC. The Company now stands 300+ employees strong as at 31st March 2023.

## PRODUCTS

The Company manufactures and markets "National PVC" brand potable water pipes and fittings. The range of products comprises PVC ball valves, PVC solvent, rigid, PE pipes flexible electrical conduits and garden hose pipes. The Company also markets electrical category products under the "Krypton" brand.

## THE NATIONAL AND KRYPTON BRAND

The PVC and HDPE business is being under the brand name of "National" and the Electrical products range under the brand name of "Krypton".

## LOCATION

The manufacturing facilities are located in Kerawalapitya, Wattala and Elhena, Yakkala.

## CERTIFICATION

The Company is certified under the ISO 9001-2015 quality management system and has obtained SLS certificates for more than 10 Categories of products.

## LISTING

The shares of the Company were listed on the Colombo Stock Exchange on 19th September 1992.

53.28%

**Promoters' Holding**

Rs. 1,978.22 Mn

**Market Capitalization**

# OUR JOURNEY

**1**
Established on 18th September 1984
**1984**

**2**
Introduced "National PVC" Pipes and Fittings
**1984**

**3**
Became the first manufacturer to get the SLS certification for uPVC Pipes (SLS 147)
**1987**

**4**
Listed on the Colombo Stock Exchange
**1992**

**5**
**Excellence Award**
National Productivity Award Certificate of Excellence
**1995**

**6**
**Quality Award**
Sri Lanka National Quality Award
**1995**

**7**
Became the first manufacturer to obtain SLS 659 certification for PVC fittings

Became the first PVC manufacturer to be certified under the ISO 9000 series Quality Management System
**1996**

**8**
**5S Award**
Taiki Akimoto 5S Award
**1997**

**9**
Introduced "Krypton" Brand Electrical Switch Range
**2004**

**10**
**Excellence Awards**
National Business Excellence Awards Runner-Up
**2005**

**11**
Moved to own Building

Head Office at No. 312, Nawala Road, Rajagiriya
**2007**

**12**
**CNCI Gold Award**
CNCI Achiever of Industrial Excellence Gold Joint Award
**2008**

**13**
25th Anniversary
**2010**

**14**

Established 2nd Factory in Yakkala March 2013

**2013**

**15**

Opening of Yakkala Manufacturing Facility

**2014**

**16**

**Excellence Awards**

National Business Excellence Awards Runner-Up

**2015**

**17**

Achieved Two Billion Work Gross Revenue

**2016**

**18**

Introduced HDPE Pipes and Fittings

**2016**

**19**

Introduced Krypton Pioneer Range

**2017**

**20**

**Excellence Top Ten Award**

CNCI Achiever of Industrial Excellence Top Ten Award

**2017**

**21**

Outsourcing (Has Fueled the Growth / Product Line Expansion)

**2017**

**22**

**Top Ten Award**

Ceylon National Chamber of Industries Achiever Award

**2018**

**23**

**Excellence Award Gold**

National Business Excellence Award Gold

**2021**

**24**

**Achiever Award Top Ten**

Ceylon National Chamber of Industries Achiever Award Top Ten and Merit Award

**2022**

**25**

**Highest Profit ever Achieved**

**2022/23**

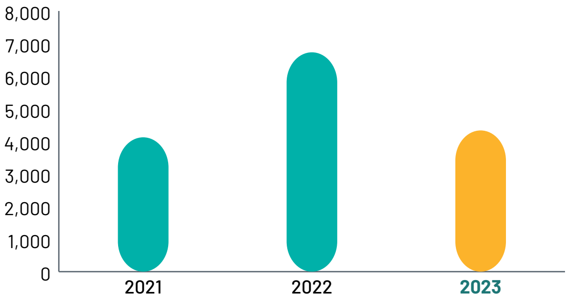
# FINANCIAL AND NON FINANCIAL HIGHLIGHTS

| | | | 2022/2023 | 2021/2022 | 2020/2021 |
|---|---|---|---|---|---|
| Revenue | ↓ | Rs. Mn | 4,333.99 | 6,731.88 | 4,122.94 |
| Gross Profit | ↑ | Rs. Mn | 1,573.18 | 1,407.08 | 796.34 |
| Operating Profit | ↑ | Rs. Mn | 1,124.57 | 1,036.06 | 466.34 |
| Profit/(Loss) Before Tax | ↑ | Rs. Mn | 773.04 | 675.64 | 469.31 |
| Profit/(Loss) After Tax | ↑ | Rs. Mn | 643.18 | 502.09 | 403.11 |
| **Position at the Year end** | | | | | |
| Shareholders' Funds | ↑ | Rs. Mn | 3,238.35 | 2,650.51 | 2,181.99 |
| Financial Investment | ↑ | Rs. Mn | 38.99 | 422.04 | 430.27 |
| Property, Plant and Equipment | ↑ | Rs. Mn | 1,093.58 | 1,025.03 | 922.41 |
| Inventory | ↓ | Rs. Mn | 1,294.86 | 1,564.19 | 1,325.40 |
| Currents Assets | ↓ | Rs. Mn | 2,966.99 | 4,238.72 | 2,685.40 |
| Total Assets | ↓ | Rs. Mn | 4,061.05 | 5,264.39 | 3,607.83 |
| Current Liabilities | ↓ | Rs. Mn | 612.41 | 2,417.51 | 1,246.43 |
| Number of ordinary shares | | | 23,466,490 | 21,788,936 | 20,698,110 |
| **Per Share** | | | | | |
| Earnings/(loss) per share - Restated | | | 27.41 | 21.40 | 19.48 |
| Market Price Per Share | | | 84.30 | 98.10 | 103.00 |
| Net Assets Per Share (Year-end) | | | 137.99 | 112.95 | 105.42 |
| **Ratios** | | | | | |
| Gross Profit ratio (%) | | | 36 | 21 | 19 |
| Current ratio (times) | | | 4.84 | 1.75 | 2.15 |
| Quick asset ratio (times) | | | 2.73 | 1.11 | 1.09 |
| Return on Equity (%) | | | 21.84 | 20.78 | 24.02 |
| Return on Assets (Before Tax) (%) | | | 16.58 | 15.23 | 15.18 |

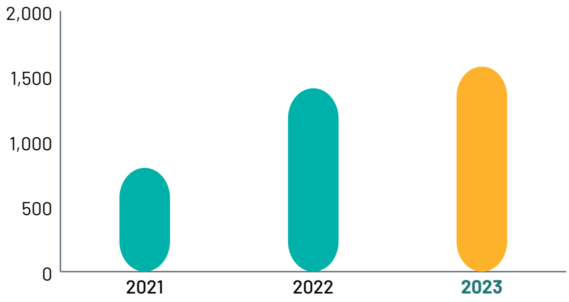
## NON-FINANCIAL HIGHLIGHTS

| Macro dimension | Indicator | Measurement | 2022/2023 | 2021/2022 |
|---|---|---|---|---|
| Economic Well-being | Economic value creation | Rs. Mn | 1,406.64 | 1,372.16 |
| | **Economic value distribution to :** | | | |
| | Suppliers | Rs. Mn | 2,927.36 | 5,359.72 |
| | Employees | Rs. Mn | 367.44 | 419.03 |
| | Government | Rs. Mn | 129.85 | 173.54 |
| | Shareholders | Rs. Mn | 108.94 | 165.59 |
| Business Sophistication | New product and business solutions | No. | 2 | 5 |
| | New distributors | No. | 8 | 13 |
| | Total workforce | No. | 343 | 387 |
| Employee Well-being | Total training hours | Hrs | 1310 | 2211 |
| | Bonus | Times | Four times of per month salary | Four times of per month salary |
| | Employees recruited | No. | 71 | 94 |
| Customers | Total dealer base growth | % | 15 | 9 |

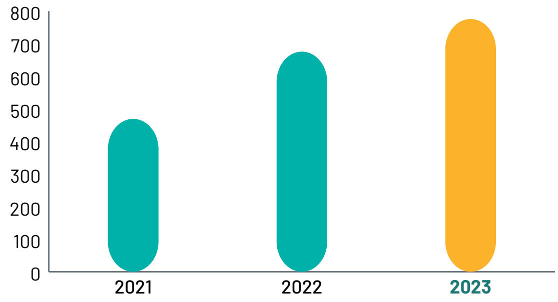
**Revenue** *(Rs. Mn)*



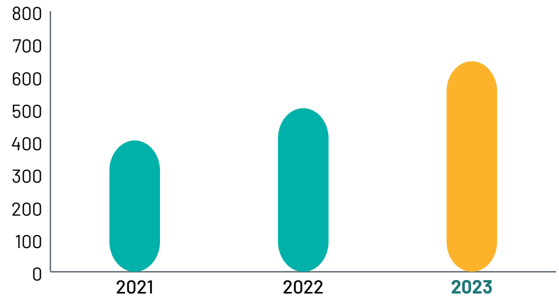

**Gross Profit** *(Rs. Mn)*



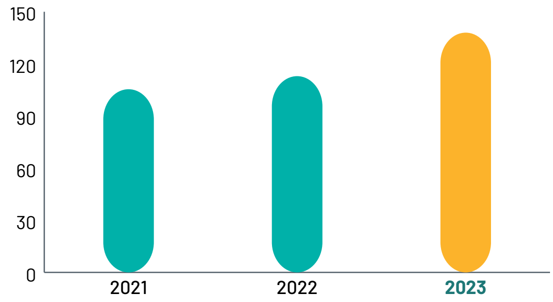

**Profit Before Tax** *(Rs. Mn)*



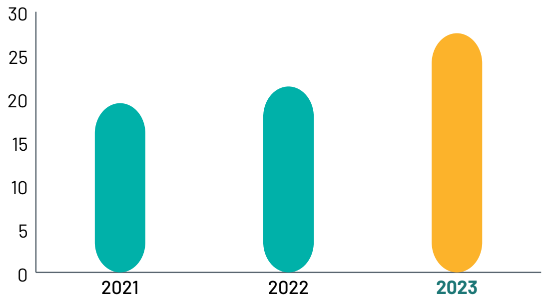

**Profit After Tax** *(Rs. Mn)*




**Net Assets per Share** *(Rs.)*




**Earnings per Share** *(Rs.)*



# FINANCIAL AND NON FINANCIAL HIGHLIGHTS

## OPERATIONAL HIGHLIGHTS

**Manufactured Capital**

| | | |
|---|---|---|
| PPE<br>Rs. 1,093.58 Mn<br>(2021/22 - Rs. 1,025.02 Mn) | Capital Expenditure<br>Rs. 123 Mn<br>(2021/22 - Rs.156.30 Mn) | Investment in Machinery<br>Rs. 78.30 Mn<br>(2021/22 - Rs. 60.20 Mn) |
| Investment in Factory Buildings<br>Rs. 56 Mn<br>(2021/22- Rs. 67.90 Mn) | | |

**Human Capital**

| | | |
|---|---|---|
| Employees<br>343<br>(2021/22 - 387) | Training hours<br>1,310<br>(2021/22 - 2,211.5) | Gender Balance<br>Male 284 &<br>Female 59<br>(2021/22 - Male 325 & Female 62 ) |
| Training Investment<br>Rs. 488,329<br>(2021/22 - Rs. 546,410) | Retention Ratio<br>78.80<br>(2021/22 - 86.76) | Promotions 25<br>(2021/22 - 39) |
| New recruitments 71<br>(2021/22 - 94) | | |

**Intellectual Capital**

| | |
|---|---|
| National PVC<br>39 Years Brand Value | Krypton<br>17 Years Brand Value |
| Investment in Computer Equipment<br>Rs. 788,000 | |

**Social and Relationship Capital**

| | |
|---|---|
| Customer Satisfaction<br>**99%** | Supplier Payments<br>Rs. **2,927** Mn |
| New Distributor Engagement<br>**8**<br>(2021/22 - 13) | Social Welfare Contribution<br>Rs. **1.06** Mn<br>(2021/22 - Rs. 0.77 Mn) |

**Natural Capital**

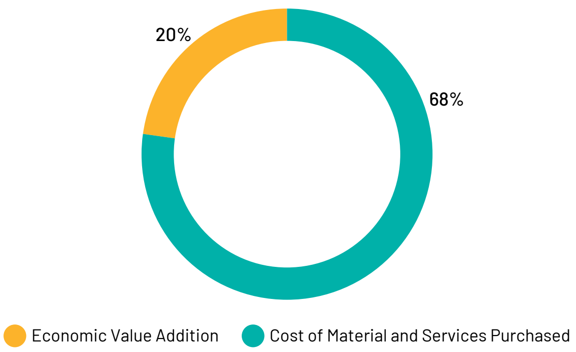
| | |
|---|---|
| Energy Consumption<br>Kj **2,142,402**<br>(2021/22 - Kj 6,586,238) | Water Consumption<br>M^3 **2,402**<br>(2021/22 - M^3 3,342) |
| Solid Waste Generation<br>**35** MT<br>(2021/22 - 57 MT) | |

* Central Industries PLC has not been subject to any fines during the reporting year on non compliances of environmental regulations

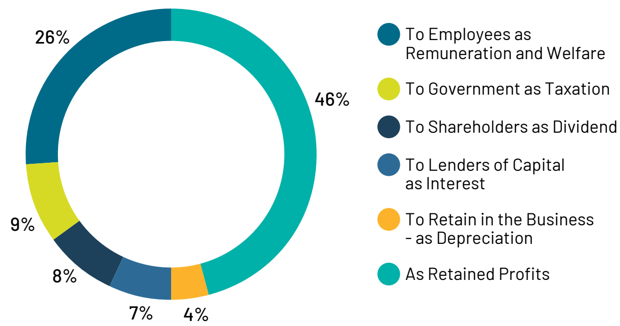
# OUR CONTRIBUTION TO THE ECONOMY

| | | 2022/23 Rs. 000 | 2021/22 Rs. 000 |
|---|---|---|---|
| **Value Addition** | | | |
| Turnover | | 4,333,998 | 6,731,883 |
| **Less:** Cost of material and services purchased | 68% | 2,930,205 | 5,369,621 |
| **Economic Value Addition** | 20% | 1,403,793 | 1,362,262 |
| **Value Distributed** | | | |
| To Employees as remuneration and welfare | 26% | 367,441 | 419,028 |
| To Government as income tax | 9% | 129,854 | 173,544 |
| To Shareholders as dividend | 8% | 108,944 | 165,585 |
| To Lenders of capital as interest | 7% | 99,662 | 48,819 |
| To Retain in the business - as depreciation | 4% | 54,703 | 53,192 |
| As Retained profits | 46% | 646,034 | 502,094 |
| **Economic value distribution** | | 1,403,793 | 1,362,262 |

**Value Addition**



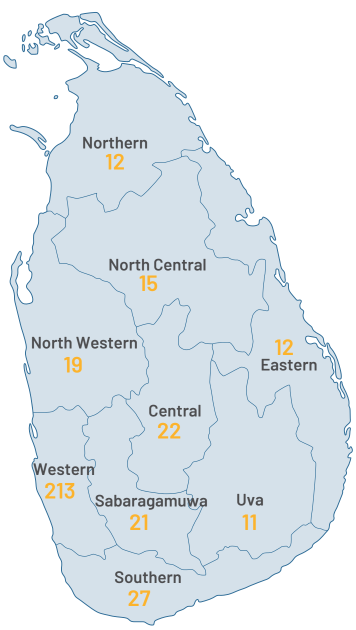

**Value Distributed**




## VALUE ALLOCATED TO EMPLOYEES

We provide employment to over 343 individuals through the head office and two factories. We have offered competitive remuneration and benefits to all staff and offered new job opportunities each year while contributing indirectly towards the creation of thousands of job opportunities across Sri Lanka.

**Province Wise Employment**

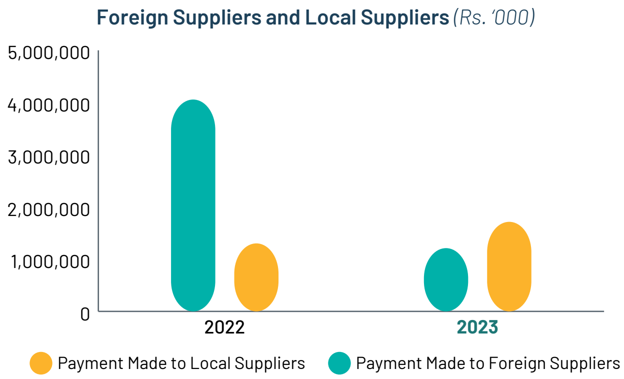


| | 2022/23 | 2021/22 |
|---|---|---|
| Remuneration and welfare (Rs. Mn) | 367 | 419 |
| Bonus | Four times of per month salary | Four times of per month salary |

## VALUE ALLOCATED TO SUPPLIERS

As a Manufacturing organization, we treated value chain suppliers as major stakeholders of the Company and gave priority to purchasing from local suppliers during the financial year 2022/23.

| | 2022/23<br>*Rs. 000* | 2021/22<br>*Rs. 000* |
|---|---|---|
| Payment made to foreign suppliers | 1,211,780 | 4,057,218 |
| Payment made to local suppliers | 1,718,425 | 1,312,403 |
| | 2,930,205 | 5,369,621 |




## MARKET VALUE ADDED (MVA)

The Market Value Added (MVA) statement reflected the Central Industries PLC share price performance. This statement further shows the capital contributed by the investors to the Company.

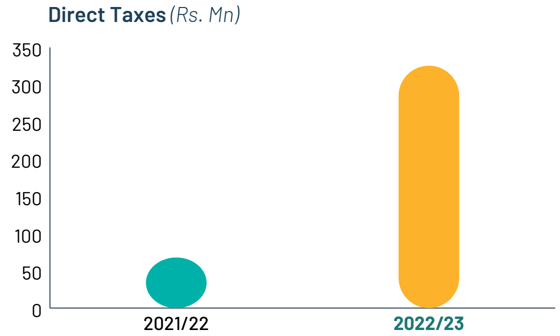
| | 2022/23 | 2021/22 |
|---|---|---|
| Market Capitalization (Rs. Mn) | 1,978 | 2,975 |
| Value of the Shares Traded | 814 | 998.6 |

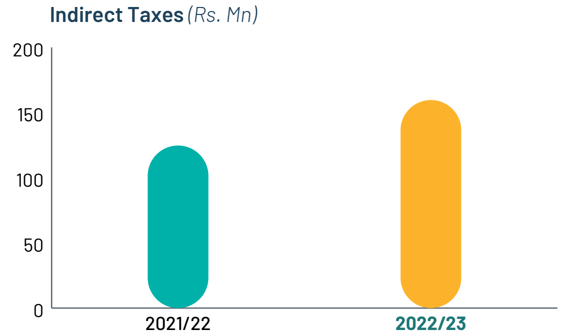
# OUR CONTRIBUTION TO THE ECONOMY

## TAX PAYMENT TO GOVERNMENT

Central Industries PLC tax policy and practices are in line with the regulatory requirements outlined by the regulatory body.

| | 2022/23 | 2021/22 |
|---|---|---|
| **Direct Taxes (Rs. Mn )** | | |
| Value added tax on revenue | 286.0 | 67.9 |
| Social security contribution levy | 39.4 | - |
| Total | 325.4 | 67.9 |
| **Indirect Taxes (Rs. Mn )** | | |
| Income tax | 129.85 | 173.54 |
| Stamp duty | 0.3 | 0.5 |
| Total | 130.15 | 174.04 |




## PLUMBER EMPOWERMENT

CIPLC trains and develops plumbers and electricians to uplift their professional knowledge of workmanship. The Company is working with Construction Industry Skills Council and the National Water Supply and Drainage Board on this initiative. The program is helping to improve the plumber's quality of work and the dignity of society. At the same time, plumbers are directed to obtain NVQ-level qualifications with the progression.

# LEADERSHIP

# CHAIRMAN'S MESSAGE

> Central Industries is a resilient corporate entity and has been able to overcome numerous hurdles since our creation in 1984 while contributing towards the betterment of our employees, communities and the Sri Lankan people.

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Central Industries PLC for the Financial Year 2022/23. The year under review will long be remembered as one that brought about unparalleled challenges and hardship to the citizens of Sri Lanka. However, once again faced with tumultuous times, the Company continued to demonstrate resilience and managed to navigate the turbulent waters to complete a year of reasonable success.

## INDUSTRY AND COMPANY PERFORMANCE

According to the Central Bank of Sri Lanka's Annual Report 2022, construction activities suffered a significant setback due to both supply and demand side challenges, resulting in a contraction of 20.9 % in value-added terms, compared to the growth of 4.4% reported in 2021. The sector struggled as it was faced with multiple setbacks following the suspension of government funded projects, soaring raw material costs, and import restrictions due to the serious shortage of foreign currency. .

Despite being faced with unprecedented challenges, the Company was able to record net revenue of Rs. 4.3 Bn, a 36% drop over the previous year. However, Profit after Tax grew by 29% to Rs. 643 Mn, and ROE registered 21.84%.

## PRODUCT PORTFOLIO AND DISTRIBUTOR NETWORK

The Company has deployed robust distribution channels to make our expanding range of products available to consumers conveniently. The widespread network of dealers ensures that the products are readily available to consumers across the country. However, during the year, we were not in a position to expand our product portfolio and distributor network as the market situation did not support an expansion.

## RESTARTING CONSTRUCTION ACTIVITIES

Government projects came to a grinding halt due to the financial crisis while private-funded projects such as condominiums reduced their expansion and are currently facing issues due to the high bank interest rates. Although the economy is gradually improving it is expected to take at least another 6 months or more for new projects to get off the ground.

## DIVIDENDS

The Board is pleased to recommend a first and final dividend of Rs. 6/- per ordinary share for 2022/23 and as which Rs. 3/- per share as scrip dividend and balance Rs. 3/- as cash and total dividend amounting to Rs. 140,798,940/-. Our Auditors M/S KPMG Chartered Accountants have confirmed that this distribution satisfies the solvency test requirement of the Companies Act No.07 of 2007 and a certificate to this effect has been obtained.

## HUMAN RESOURCES

Our biggest asset is our dynamic workforce that has time and again risen to the occasion to face the many challenges that arose. Their passion, hard work, and dedication have been instrumental in paving the way towards the Company's success. Our Human Resources policies have always been compliant with all governing statutes of the country and allowed us to provide our employees with a happy and healthy working environment which is one of the key reasons why we have been able to attract some of the best talent across various disciplines thereby helping us to build a dynamic team that has been able to serve our island wide customers well.

Although some employers resorted to laying off employees and reducing salaries in the face of the growing economic crisis, we ensured that none of our employees were faced with such difficult situations. They were provided with appropriate remuneration, opportunities for skills development through a multitude of training programmes as well as career growth based on performance. As a result, we were not faced with mass migration of skilled staff which other corporates had to deal with.

## CORPORATE GOVERNANCE

As a responsible corporate citizen, we have ensured adherence to good corporate governance practices and quality standards by continuing to strictly adhere to all statutory requirements and laid-down benchmarks. We have maintained focus on the requirements of our various stakeholders and operated within the regulatory and legal framework of the country while ensuring that the industry's best practices have been strictly followed at each and every level of our business operations.

## WAY FORWARD

Sri Lanka has unfortunately gone through another year of uncertainty throwing the country's future into further doubt. However, since the appointment of a new President in mid-2022 there has been a somewhat "Steadying of the ship" and the gradual progress on the economic and political front culminated in the US$ 2.9 Bn International Monetary Fund (IMF) extended fund facility from which the first tranche of US$ 330Mn was received in March 2023. While this is certainly a step in the right direction, there is a great deal that needs to be done in the years ahead to bring the economy back from the abyss and steer it towards growth.

Central Industries is a resilient corporate entity and has been able to overcome numerous hurdles since our inception in 1984 while contributing towards the betterment of our employees, communities and the people of Sri Lankan. The Company will continue to make all possible efforts to support the national effort in bringing sustained hope and economic wellbeing.

Given the volatility in today's economic landscape, we further finetuned our systems and processes that have been set in place for a prolonged period. We regularly evaluate the various aspects of the economy that have a direct and significant impact on the operational health of the Company and the well-being of our valued employees. We will continue to monitor the situation periodically during the new financial year and make necessary adjustments accordingly.

## ACKNOWLEDGMENT

I would like to express my gratitude to the Director/Chief Executive Officer Mr. Mayura Rupatunge for his dedication and hard work amidst these trying circumstances. To my colleagues on the Board for their sound advice and guidance throughout the year. I am deeply grateful to each and every member of the Central Industries team as they bravely battled through another tough year full of unpredictability.

I extend a special word of thanks to all our valued customers from all parts of Sri Lanka for continuing to place their trust in our company and products over the years and especially this year. I am also thankful to our exceptional group of distributors and dealers who play a central role in helping us reach these customers by supporting our marketing and distribution endeavours.

I also appreciate the significant contribution of our Bankers, Auditors and Company Secretaries.

In conclusion, I would like to express my appreciation to our shareholders for the trust placed in us.

**G.S.N. Peiris**
*Chairman*

24th May 2023

# CHIEF EXECUTIVE OFFICER'S REVIEW

> The Company worked diligently in adopting several innovative strategies to better face a market scenario. The main focus of these internal efforts was to operate the factory at a much higher level of efficiency which helped trigger a drastic drop in the cost of production.

It is with pleasure I present to you the Annual Report and the Audited Financial Statements of Central Industries PLC for the financial year 2022/2023.

The effects of the COVID-19 pandemic, which had dominated headlines since its emergence in early 2020, were gradually receding as the financial year under review got underway. However, Sri Lanka was faced with yet another obstacle of significant proportions in its efforts to recover from several years of pandemic-induced economic and social turmoil as the economic situation took a drastic turn leading to shortages in fuel, LP gas and essential items as well as several hours of power cuts. This unprecedented crisis brought the masses to the streets and caused social and political unrest just as the new financial year commenced, which continued for several months.

Given such a tumultuous year, it was no surprise that Sri Lanka's economy suffered a significant decline. Gross Domestic Product (GDP) contracted at a rate of 7.8% in 2022, compared to the growth of 3.5% recorded in 2021. The Central Bank of Sri Lanka's Annual Report 2022 highlights a substantial downturn in the construction industry due to both supply and demand side challenges, resulting in a contraction of 20.9% in 2022, compared to the growth of 4.4% reported in 2021.

## COMPANY PERFORMANCE

Faced with such challenging economic conditions, it is heartening to note that the Company was able to record a net revenue of Rs.4.3 billion during the financial year under review. Although this was a 36% drop compared to the previous financial year, it was a significantly better achievement than the expectations we envisaged midway during the year. Profit after tax increased by a significant 29 percent to Rs. 643 million, with an achievement of 21.84% return on equity (ROE).

## INCREASING OPERATIONAL EFFICIENCIES

To navigate the market's adverse conditions, characterized by soaring inflation and diminishing purchasing power among the general public, the Company diligently implemented several innovative strategies. These efforts were aimed to counter the hitherto unforeseen contraction in the construction industry. The primary focus was on enhancing operational efficiency within the factory, leading to a substantial reduction in production costs. Instead of investing in capital-intensive automation, we employed various cost-saving methods across transportation, employee management, workforce location, shift arrangements, and other areas. The resulting cost savings have been significant and bode well for future operations, even if the current subdued economic situation persists. We also successfully commissioned a 440 kVA solar power generation system in December 2022 which allowed us to generate an income of Rs. 6.9 million over the remaining four-month period up to the end of the financial year.

## MARKETING EFFORTS

Operating in a challenging market environment characterized by high volatility, uncertainty, complexity, and ambiguous economic policies, necessitated a re-think of our brand promotion strategies. Consequently, we limited our above-the-line (ATL) and below-the-line (BTL) promotional efforts during the year. Instead we increased our emphasis on digital marketing as a way to promote our National PVC and Krypton electrical product brands. Additionally, we leveraged the power of technology by establishing an e-commerce website to sell our products directly to customers and also tied up with leading e-commerce operators to market our products through their platforms. This approach has enabled the company to reach a wider audience, while also providing customers with a convenient and secure way to purchase their products online. It has also allowed the Company to tap into the e-commerce market in Sri Lanka, which is expected to grow significantly in the coming years.

## DISTRIBUTION CHANNELS

The Company has employed several distribution channels to make our diverse range of products available to consumers easily and conveniently. One of the primary methods used is through our authorized distributor network where the products are supplied to Dealers in the market through these Distributors. The widespread network of Dealers ensures that the products are readily available to consumers across the country. In addition to the dealer network, we have set up a showroom at our Head Office located in Rajagiriya which provides a convenient, central location for consumers to purchase our products or inspect them before making a purchase decision.

## HUMAN RESOURCES

The Company made significant efforts to prioritize the well-being of all employees. We were committed to avoiding layoffs and, considering the rising cost of living throughout the year, implemented various strategies to ensure that their income levels were not significantly affected. Despite operating at lower capacity, we took the opportunity to conduct multiple training sessions aimed at enhancing their skill sets and maintaining high staff morale during these challenging times.

## CORPORATE SOCIAL RESPONSIBILITY

We continued our commitment to uplift education standards in rural communities by providing resources and support to schools in underprivileged areas. Our CSR initiatives focused on improving their access to safe drinking water and helping to build a healthy learning environment for children in these communities. We organized Children's Day celebrations at Swarna Jayanthi Vidyalaya in Kegalle. In collaboration with the Rotaract Club of Institute of Information Technology, Colombo and Standard Chartered Bank we facilitated the establishement of a computer lab for at Saddatissa Primary School in Ampara. We also extended our support to St. Anne's Balika Vidyalaya in Wattala, Karunaratne Vidyalaya in Ragama and Rangiri Dambulla Central College in their fund raising initiatives, by providing monetary donations.

In collaboration with local communities, we engaged in multiple community initiatives. With the support of the Construction Industry Skills Council, we conducted two plumber training programs during the year. We also facilitated the lighting of the Warapalana Temple in Yakkala, Elhena and Warnagala Temple in Sri Padaya. Additionally, we donated electrical products to the Ratnapala Bhikshu Hospital in Polonnaruwa, provided water tanks during the annual feast of the Basilica of Our Lady in Tewatte Ragama to supply drinking water to devotees, implemented a drinking water project in collaboration with TV Derana at Sri Silarathanaramaya in Galenbidunuwewa, and donated a water distribution system for the Cancer Ward of Kandy General Hospital in partnership with the Lions Club of Kandy.

## FUTURE OUTLOOK

We anticipate that the first tranche of IMF funding will provide a significant boost to the Sri Lankan economy. We are optimistic that the government will take the necessary steps to effectively manage the economy while promoting industries that can generate much-needed foreign exchange. Several Free Trade Agreements (FTAs) are also in the pipeline, which are expected to have a positive impact on the manufacturing sector.

As a forward-thinking company, we are closely monitoring these developments and making necessary adjustments to ensure that our company is well-prepared to capitalize on any positive changes in the external environment and mitigate the potential effects of detrimental developments. Given the volatile economic and business landscape, we are closely monitoring resource availability, cost and inflationary pressures, financing costs, and exchange rate fluctuations. We are confident in our ability to swiftly respond and adapt to the unpredictable challenges we face today.

## APPRECIATION

In conclusion, I would like to convey my appreciation to our Chairman, Mr. G. S. N. Peiris and the members of the Board of Directors for the advice and guidance offered to me throughout the year.

I am also deeply grateful to our esteemed customers for their continued loyalty to our products over the years. Additionally, I extend my thanks to our dedicated network of distributors and dealers for their professionalism and hard work in marketing and distributing our products, ensuring their availability to our customers.

My utmost appreciation goes to each and every employee of the Company for their resilience, hard work, dedication, and passion, even during the most challenging times of the past twelve months. It is their collective strength that has renewed our belief in our ability to emerge stronger from this unprecedented crisis. I am grateful to all our shareholders for their trust in the Company and their unwavering support as we navigate through the troubled waters of the national economic crisis. I also acknowledge and appreciate the invaluable contributions of our bankers, auditors, and company secretaries in making this financial year a success.

**I.M.P.Rupatunge**
*Director/Chief Executive Officer*

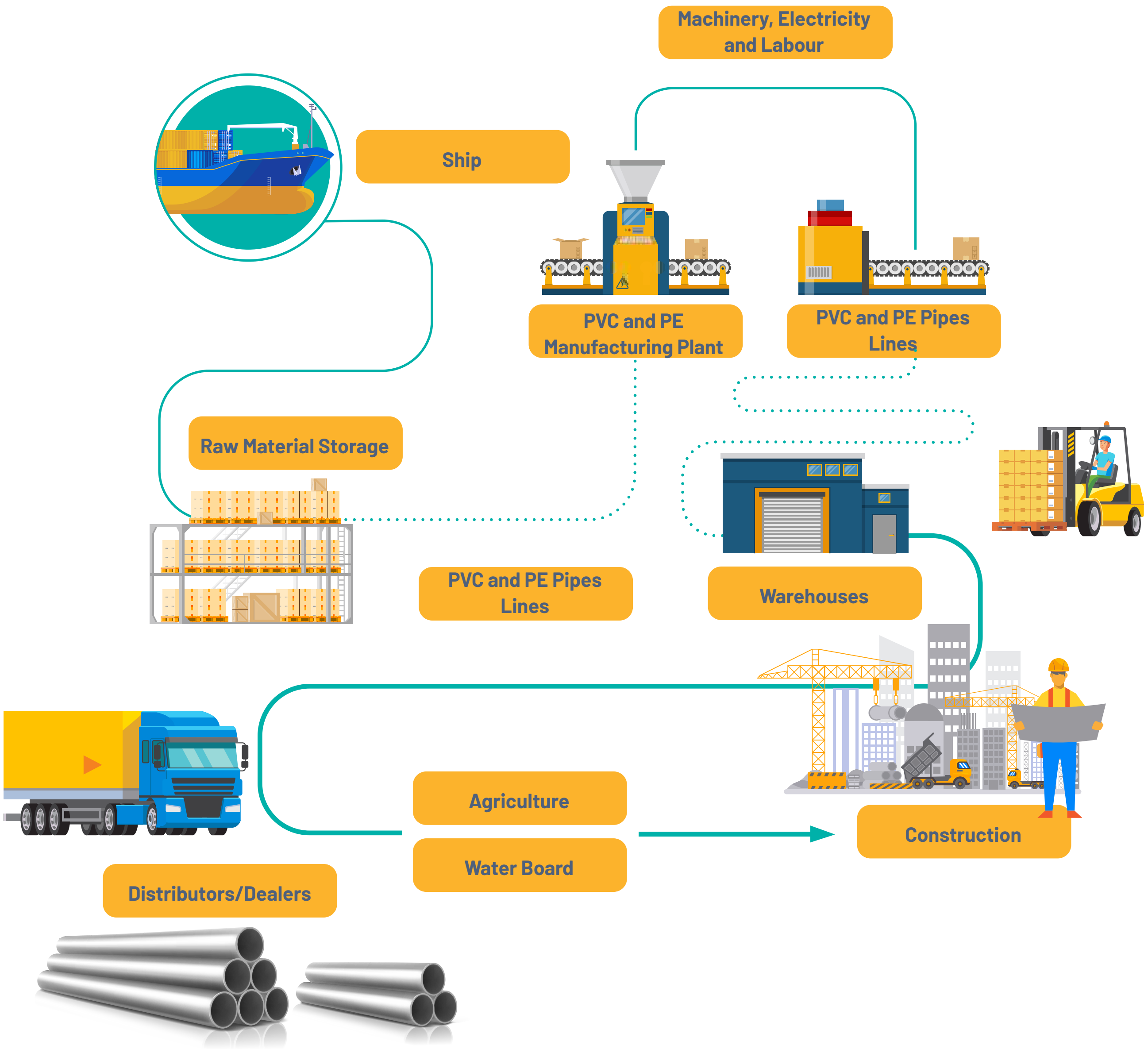
24th May 2023

# OUR VALUE CREATION BUSINESS MODEL

The key elements and drivers of our Business Model elaborate our value creation process to stakeholders. It is a summary model of how we operate the business with input resources, values, manufacturing process and outcomes. The return on investment with various stakeholders' goals and achievements are included in our value creation business model.

## HOW WE CREATE AND SUSTAIN VALUE

### Business Process



# OUR CAPITAL INPUTS AND OUTPUTS

As per the our business operation there are six input capital categories and acts as resources for the business operations of the Model. There should be input line raw materials, labour and machinery etc. to make the output products. Hence, inputs and outputs can be classified under each capital as follows. Inputs are resources had at the start of the financial year and outputs are the year end position.

| Item | Measurement | Input | Output | Change |
|---|---|---|---|---|
| **Financial Capital** | | | | |
| Total assets | Rs. Mn | 5,264.39 | 4,061.01 | (22%) |
| Shareholders' equity | Rs. Mn | 2,650.51 | 3,238.35 | 22% |
| ROE | % | 20.78 | 21.84 | 5% |
| **Manufactured Capital** | | | | |
| PPE | Rs. Mn | 1,025.03 | 1,093.58 | 7% |
| Total factories | Number | 2 | 2 | - |
| **Human Capital** | | | | |
| Total workforce | Number | 387 | 343 | (11%) |
| Training cost | Rs. | 546,410 | 488,329 | (10%) |
| Salaries and benefits | Rs. Mn | 419.02 | 367.44 | (12%) |
| **Intellectual Capital** | | | | |
| Investments in new technology machines | Rs. Mn | 60.20 | 78.30 | 30% |
| **Social and relationship capital** | | | | |
| Tax paid to government | Rs. Mn | 173.54 | 129.85 | (25%) |
| CSR Investments | Rs. Mn | 0.773 | 1.06 | 37% |
| **Natural Capital** | | | | |
| Diesel consumption | Liters | 52,800 | 26,400 | (50%) |
| Electricity consumption | KT | 6,586,238 | 2,142,402 | (67%) |
| Water consumption | M 3 | 3,342 | 2,402 | (28%) |

# VALUE CREATION STRATEGIES WITH CAPITAL

Our Vision, Mission and Goals are embedded with capital is the map for the Company to show the way ahead and where we are now. Governance frameworks, risk management and sustainable practices are the value creation foundations for the business our capital allocations decisions are based on the return on investment and we always align to the strategy with opportunities that are in line with business strategies.

# OUR OUTPUTS

Outputs are the results of our business efforts and all inputs are described in our business model under each capital item. Our core output is quality products under "National PVC" and "Krypton" brand product range. We aim to create value across our capital.

# OUR OUTCOMES

Outcomes are the impacts received through the results or Company operations. Our business model provides the key results of the Company.

# OUR VALUE CREATION BUSINESS MODEL

## VALUE CREATION MODEL

### OUR CAPITAL INPUTS

**Financial Capital**
- Shareholders' Fund' Rs. 3,238 Mn
- Total Assets Rs. 4,061 Mn
- Borrowings Rs. 35.2 Mn

**Human Capital**
- Total Workforce 343
- Experienced Staff
- Skills and Competence
- Investment in Training Rs. 488,329
- Training Hours 1,310
- New Blood
- Motivated Employee

**Manufactured Capital**
- Property, Plant and Equipment Rs. 1,093.58 Mn
- Factories 2
- Technology infrastructure

**Intellectual Capital**
- Processes and Procedures
- Institutional Knowledge
- Technology and Systems

**Social and Relationship Capital**
- Dealer Base
- PVC and PE Products Range
- Relationship with Communities
- Charity Activities 17
- Group Stakeholders

**Natural Capital**
- Electricity Consumption
- Diesel Consumption
- Water Consumption

### DEPARTMENT PROFILE

| Department | |
|---|---|
| Finance<br>Treasury | PVC & PE Pipes |
| Human Resources | Skills and Competent Staff |
| Factory Operations | Manufacturing Capabilities |
| Legal<br>Risk<br>Information Technology | Distribution Network |
| Marketing and Promotions | Product Development<br>Re-energizing the Central Industries PLC Brand |
| Green Environment | Investment in Renewable Energy |

| OUTPUTS | OUTCOMES |
|---|---|
| Profit after tax **Rs. 643 Mn**<br>Return on Equity **21.84%**<br>Earnings per share **27.41** | **Shareholders**<br>• Provide investment opportunities<br>• Profitability<br>• Return on investment |
| Salaries and benefits **Rs. 367.44 Mn**<br>Motivation and innovation<br>Less workforce accidents | **Employees**<br>• Fair and reasonable remuneration<br>• Development of skills<br>• Job protection |
| Quality products<br>Reduction of cost of sales<br>High production volume | **Customers**<br>• Effective customer complaints mechanism<br>• Customer service<br>• Satisfaction |
| New product launch<br>Skilled staff | **Business Partners**<br>• Provide valued expertise<br>• Provide fair payment for local suppliers |
| Second market leader<br>Income Tax Payment **Rs. 129 Mn**<br>Contribution to Society and Community | **Society/Community**<br>• Supporting plumbers and Dealer network officers' development goals<br>• Community development support |
| Energy Consumption | **Regulators**<br>• Comply with laws and regulations<br>• Transparency<br>• Accountability |

## Vision

To be the preferred choice of the discerning customer for products and services in the construction industry

## Mission

Manufacture and provide products and services of consistent quality and reliability for the construction industry.

# VALUE CREATION STRATEGIES FOR ACCELERATED MOMENTUM

## STRATEGIES

### Product Development

Alignment with fast-changing consumer preferences, at high speed and premium quality.

### Manufacturing Capabilities

Focus on automation, speed and size.

### Re-energizing Central Industries PLC's brands

Aligning with new segmental and geographical requirements.


### Distribution Network

Enhancing the distribution network through dealers, distributors, contractors and developers.

### Strengthening B2B

Focus on building the right team, deliver customized and integrated PVC, PE, and electrical solutions infrastructure development water management projects and building construction.


### PVC Pipes

Aim to utilize 3,000 MT per annual capacity to leverage the sizable business opportunity with strong positioning of "National PVC" in the distribution network.

# INTEGRATED STAKEHOLDER ENGAGEMENT

We rely on a holistic approach to comprehend the diverse and sometimes conflicting requirements of stakeholders, create value for each group and generate financial and operational gains while building a sustainable business to create value for the Company and all our stakeholders.

Our key stakeholder groups comprise six broad groups, namely; customers, employees, shareholders, community, regulators and business partners. The below table illustrates a succinct glimpse of our relations with each stakeholder group, progress indicator and the value we create:


| Stakeholder | Value for the stakeholder | Value for the Company | Engagement | Indicator | Value creation | Outcomes 2022/23 | Outcomes 2021/22 |
|---|---|---|---|---|---|---|---|
| Customers | High standard of quality products and service | Higher revenue from existing and new customers | Communication material | Dealer base growth % | Providing consistently high standard of quality products and service | 15% | 9% |
| | Fast and customized quality product | Enhanced customer loyalty | Direct contact and social media platforms | Increase in the number of product range | Providing fast and quality service | 2 | 5 |

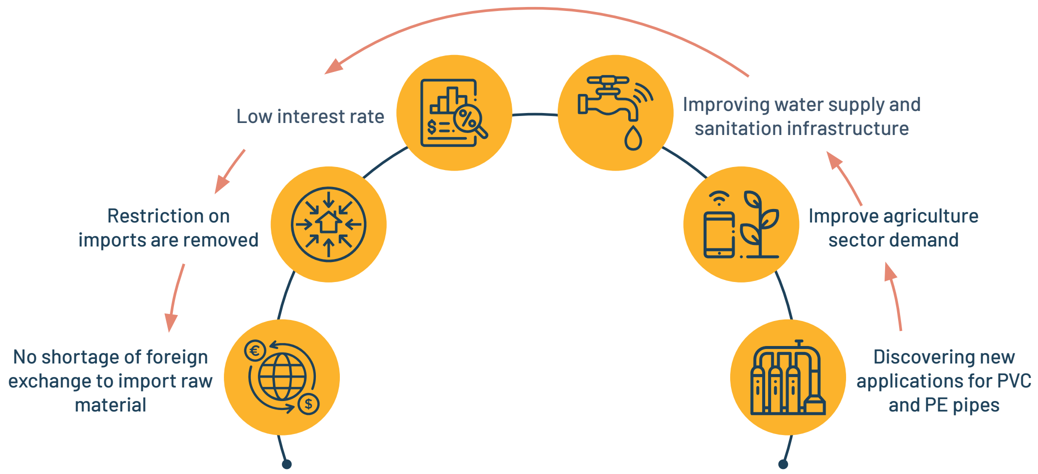
# INTEGRATED STAKEHOLDER ENGAGEMENT

| Stakeholder | Value for the stakeholder | Value for the Company | Engagement | Indicator | Value creation | Outcomes 2022/23 | Outcomes 2021/22 |
|---|---|---|---|---|---|---|---|
| Employees | A safe and healthy work environment | An engaged and motivated workforce | Staff meetings | Employee volunteerism (hours) | | | |
| | Opportunities for growth | Knowledgeable and talented workforce well-equipped to meet customer needs and contribute to company growth | E-mail | | Attracting and retaining industry top talent | | |
| | | | Training and awareness programs | | Facilitating individual growth | | |
| | Job security | Motivated workforce and no loss of productivity | | No. of accidents in the workplace | | Nil | Nil |
| | | | | No. of employees | | 343 | 387 |
| | Performance driven rewards system | | Performance appraisal | Total headcount broken down by: | | | |
| | | | | Male | | 83% | 84% |
| | | | | Female | | 17% | 16% |
| | | | Staff circulars | Training hours | | 1,310 | 2,211 |
| | | | | Investment (Rs.) | | 488,329 | 546,410 |
| Shareholders (Parent Company, Central Finance PLC) | | Sustainable return on investment | Public trust in the brand | Progress reports and meetings | Establishing a sustainable and agile business model for long - term and viable growth | 10 | 9 |
| | | Strong capital base | Monthly financial statements | Gross profit ratio | | 36% | 21% |
| | | | | Return on assets (%) | | 16.58 | 15.23 |
| | | | Group meetings | | | 4 | 4 |
| | | | Business agreements | | | | |
| | | | Annual Reports | | | 1 | 1 |
| | | | Annual General Meeting | | | 1 | 1 |
| | | | Extraordinary General Meeting | | | - | - |
| | Ethical engagement with the company | Robust corporate governance, market integrity, good business practices | Meetings | Compliance with regulatory framework | Promote financial and economic stability, and contribute to strengthening the regulatory framework and market conditions | Complies | Complies |
| | Contribution to economic stability | Business sustainability | Annual Reports | | | | |
| | | | Disclosures | | | | |
| | | | Industry forums | | | | |

| Stakeholder | Value for the stakeholder | Value for the Company | Engagement | Indicator | Value creation | Outcomes 2022/23 | Outcomes 2021/22 |
|---|---|---|---|---|---|---|---|
| Society and Environment | Contribution to economic stability | Potential market growth | Social media and websites | Number of CSR projects | PVC, PE and electrical product availability islandwide | 17 | 16 |
| | | | CSR Projects | Energy efficiency and water usage | | - | - |
| | Increased access to funding | Brand reputation has favorable impact when obtaining finance facilities. | | | | | |

## IDENTIFYING STAKEHOLDER GOALS

Our key stakeholder identification methodology revolves around their ability to impact our business as well as the decision making process. First of all, we identify specific, key stakeholder goals to determine their influence over us, involvement and the materiality that we place on each group. These goals allow us to define the scope and scale of relationships as well as the degree of engagement. The below table indicates specific goals we allocate to manage each stakeholder group's interest:




Our stakeholders goals drive us forward, articulating the value we seek to deliver for each of our key stakeholders, and therefore serve to inform our strategy.

| Key stakeholders | Goals | Level of relationship | Level of engagement |
|---|---|---|---|
| Shareholders | Well capitalized and sustainable growth | XXX | Consult |
| Customers | Customer satisfaction and due care | XXXXX | Services |
| Employees | Career progression and best place to work | XXXX | Team work |
| Communities | Empowering through CSR | XXX | Collaborate |
| Regulators | Full statutory compliance | XXX | Collaborate |
| Business partners | Sustainable business practices | XXX | Collaborate |
| Banks | Financing for working capital | XXXXX | Services |

**x** - *Low* **xxxxx** - *High*

# INTEGRATED STAKEHOLDER ENGAGEMENT

## MANAGING STAKEHOLDER RELATIONSHIPS

Stakeholder relationship management remains a pivotal aspect of our pursuit of growth and value creation and preservation on behalf of the Company and all stakeholders. In managing and nurturing our relations with them, we strive to establish purposeful, relevant, inclusive and customised communication channels to remain responsive, engaged and interested. We proactively seek their input and address their needs and concerns in a timely manner.

Our stakeholder engagement process is incorporated into the value creation process – allowing the process to become a core source of information in driving our strategy. While we categorise our stakeholder groups into six broad categories, for clarity, we have also categorised each group further into internal and external stakeholders. The table below provides a broader perspective of our stakeholder management process including separate modes of engagement:

**Internal**

| | Newsletters | AGM | Extra Ordinary Meeting | Emails | Meetings | Social Media | Events | Reports | Phone Calls | Websites | Formal Letters | Annual Reports | One to one | Site Visits |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Shareholders | | An | Wn | | | | | | Wn | | | An | | |
| Board of Directors | | An | Wn | | Qu | | Wn | Mo | Wn | | | An | | |
| Management | | An | Wn | Wn | Mo | | Wn | Wn | Wn | Rb | Wn | | Wn | |
| Employees | | | | Wn | Wn | | Wn | Wn | Wn | Wn | Wn | | Wn | Wn |
| External | | | | | | | | | | | | | | |
| Customers | Qu | | | Wn | Wn | Rb | Wn | | Wn | Wn | | An | Wn | Wn |
| Business partners | Qu | | | Wn | Wn | | | | Rb | Wn | Wn | An | Wn | Wn |
| Communities | Qu | | | Wn | | | Wn | | | Wn | | | | |
| Regulators | Qu | | | Wn | | | | Qu | Wn | Wn | | An | | |
| Banks | Qu | | | Wn | Wn | | | Wn | Wn | Wn | Wn | An | Wn | Wn |

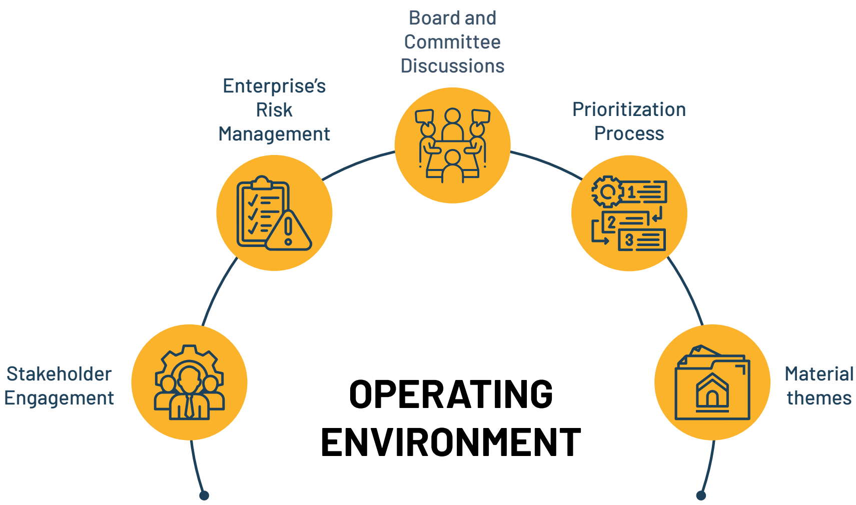
**Annual** - *An* **Regular basis** - *Rb* **Monthly** - *Mo* **Quarterly** - *Qu* **When necessary** - *Wn* **Periodic** - *Pe*

# MATERIALITY

Central Industries PLC's material issues relate to how we create long-lasting value for all our stakeholders, and our economic, social and environmental impact. The material importance of each aspect is directly related to its impact on the Company's ability to create value. The Company's leadership teams identify material topics and their importance to the Company's ability to create value through engaging stakeholders via robust communication channels. We conduct an annual analysis of material topics to determine stakeholder concerns, and align our solutions with strategic objectives. Meanwhile, the Company's risk management and governance processes consistently monitor materiality to ensure robust performance and sustainability.

## MATERIALITY DETERMINATION PROCESS

In determining our material aspects, we identify and integrate material risks and opportunities by reviewing our business environment, enterprise risk management, stakeholder engagement at Board committee discussions. Central Industries PLC uses a set of tools including market surveys, stakeholder input as well as risk analysis conducted on a periodical basis. In FY 2022/23, our materiality determination process sought to establish a stricter governance process as well as better regulatory control and risk management. The below graph illustrates our materiality determination process:




We comply with legal and regulatory requirements to reinforce our legitimacy and enhance our brand reputation in the industry.

## MATERIAL IMPACT

Addressing each material issue is a key priority for Central Industries PLC. As such, we have linked each material issue to our capital growth process and defined the low impact. Our material themes define our growth trajectory, mapping the process of operational, financial and importance of each concern into categories – high, medium and business growth and the way in which this impacts our ability to create social, economic and environmental value.

Hence, the impact of our identified material matters plays a vital role in sustaining and developing our business. The below table illustrates the identified material issues that impact our business and the priority levels:

# MATERIALITY

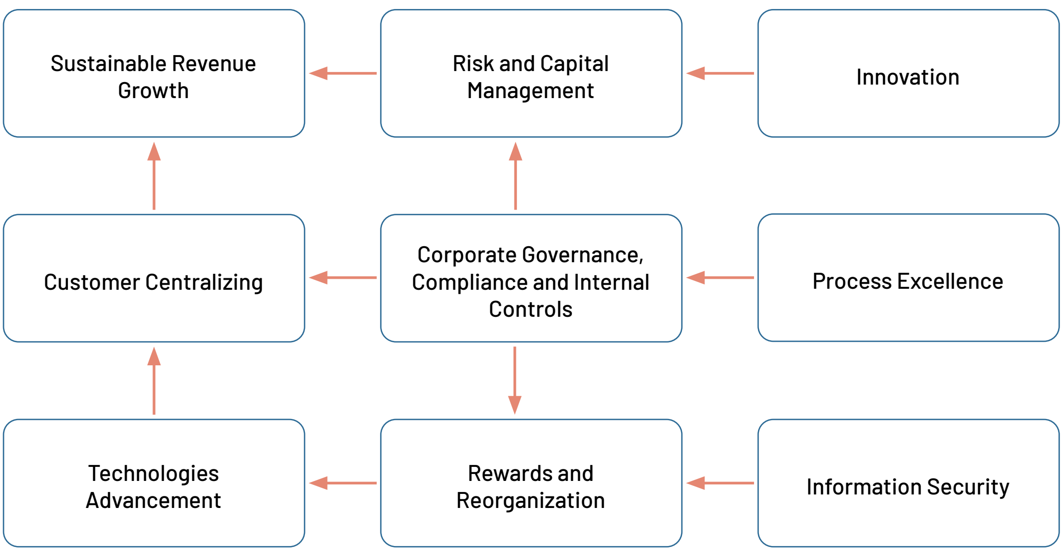
**Material themes impact to the capital**

| | Financial Capital | Manufactured Capital | Intellectual Capital | Human Capital | Social and Relationship Capital | Natural Capital |
|---|---|---|---|---|---|---|
| Sustainable revenue growth | High | Low | Low | Low | Low | Medium |
| Retention and training development | Medium | Low | High | High | Low | Medium |
| Process excellence | Low | Low | Low | Low | Medium | Medium |
| Rewards and recognition | Low | Low | High | High | Low | Medium |
| Risk and Capital Management | High | Medium | Medium | Low | Medium | Medium |
| Speed of service and improved efficiency | Medium | Low | High | Low | High | Medium |
| Diversified portfolio and affordable solutions | Low | Medium | Medium | Medium | High | Medium |
| Improved relations with business partners | Medium | Medium | High | Medium | High | Medium |
| Corporate Governance, Compliance and Internal Controls | Low | Low | Low | Medium | Medium | High |
| Increased contributions to society | Medium | Medium | Low | Medium | High | High |
| Ethics and transparency | High | Medium | Low | Low | Low | Medium |
| Occupational health, safety and well-being | Medium | High | Low | Low | Low | Medium |
| Information security | High | Medium | High | Low | Low | Medium |
| Optimum use of property, plant and equipment for services | High | High | Medium | Medium | Medium | Medium |
| Innovation | Low | Low | High | Medium | High | Medium |
| Becoming more customer centric | Low | Medium | High | Low | High | Medium |
| Technological advancements | Low | Low | Low | Medium | Low | Medium |

**High Impact** **Medium Impact** **Low Impact**

## MANAGING INTERLINKS BETWEEN MATERIAL ISSUES

As we explore material issues, we recognise the inter relationships between each aspect, and how focusing on these relations could enrich our value creation and preservation process. In the process of defining the relationships between material themes, we seek to leverage on this crucial aspect to create and preserve value. The below depiction illustrates the inter-relationships between key material themes:



# THE SUSTAINABLE DEVELOPMENT GOALS

## CENTRAL INDUSTRIES PLC HAS DEVELOPED STRATEGIES TO SUPPORT THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGS) ACROSS VARIOUS AREAS.

SUSTAINABLE DEVELOPMENT GOALS

### 1 NO POVERTY

In 2022, the economic crisis increased the country's poverty levels, declining social progress for decades. To minimise the effect of the crisis to our staff members, the Board of Directors initiated following steps bringing positivity and sustainability into their life.

- Company offers a living allowance of 25% of their basic salary to its non-executive staff, ensuring that they have a stable income. Total payment during the year is Rs.1.539 Mn.
- Additionally, the Company provides distress loans to employees during emergencies, such as health or education-related needs, without interest.

### 2 ZERO HUNGER

Company offers vouchers worth Rs.564,000/- to communities such as electricians and dealer assistants, enabling them to access food and reduce the risk of hunger.

### 3 GOOD HEALTH AND WELL-BEING

- We prioritize the health and well-being of its employees by providing comprehensive insurance coverage, including critical illness cover. Employees also have the option to contribute and enhance these facilities.
- The Company focuses on maintaining health and safety measures for its factory staff and continuously improves their working conditions.

### 4 QUALITY EDUCATION

- We emphasize employee training and development to ensure a skilled workforce.
- Additionally, the Company trains and develops the plumber and electrician communities, contributing to the overall improvement of educational opportunities in those fields.

### 5 GENDER EQUALITY

- We actively maintain a healthy diversity within its operations, including the head office and factories.
- The Company promotes a flexible working environment and has implemented a robust grievance handling process, fostering gender equality and exclusivity.
- Woman staff receives benefits of the same pay grades and job roles, based on performance and tenure of service.
- International Women's Day was celebrated by all staff members of the Company and held raffle draw.

### 6 CLEAN WATER AND SANITATION

We are involved in the provision of safe drinking water. The Company offers high-quality water management products that enable consumers to reduce waste, store and conserve water, and dispose of it responsibly.

### 7 AFFORDABLE AND CLEAN ENERGY

- The Company also employs solar energy as a sustainable solution for its production processes.

### 8 DECENT WORK AND ECONOMIC GROWTH

- Despite the challenges presented by a volatile, uncertain, complex, and ambiguous (VUCA) environment, Central Industries PLC has achieved steady growth. The Company focuses on creating decent work opportunities and contributing to economic growth.
- We recruited a total of 71 employees
- Offered promotions to 25 employees
- Provided remuneration to a total of Rs.367 Mn
- Offered decent job opportunities throughout the 9 provinces in the country
- Provided indirect employment opportunities islandwide to approximately 250 distributor staff.

# THE SUSTAINABLE DEVELOPMENT GOALS

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

We have invested in infrastructure development and foster innovation within its operations. For instance, the Company has established a state-of-the-art manufacturing facility in Yakkala and improved its Wattala manufacturing facility through automation.

**10 REDUCED INEQUALITIES**

We create and distribute economic value for our stakeholders in the following manner:

- To Employees as remuneration and welfare Rs. 367 Mn
- To Government as income taxation Rs. 129.8 Mn
- To Shareholders as dividend Rs. 108.9 Mn
- To Lenders of capital as interest Rs.99.6 Mn
- As Retained Profits Rs. 646 Mn
- Total Economic value distribution Rs.1,403.7 Mn
- Offered reasonable product pricing for our customers

**11 SUSTAINABLE CITIES AND COMMUNITIES**

- The primary focus of the Company's waste management approach is to reduce overall waste generation and ensure responsible disposal.
- The Company has established guidelines for the proper disposal of hazardous and electronic waste, collaborating with specialized third-party contractors for this purpose.
- Helping the electrical and plumbing communities to uplift their professional knowledge
- We have provided water tanks to Basilica Church, Tewatte Ragama
- Lighting of Warnagala Temple, Sripadaya

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

- The Company main product is PVC and PE pipes and it is the major input for construction of sustainable houses and commercial buildings.
- We minimize waste generation by implementing recycling and waste reduction initiatives. The Company is committed to reusing and recycling materials.

**13 CLIMATE ACTION**

Company demonstrates its commitment to climate action through tree planting initiatives at its factory premises in Yakkala. The Company sets aside a large area for tree planting and continuously develops this area to contribute to environmental sustainability.

**14 LIFE BELOW WATER**

We maintain waste water purification plants and employ rainwater harvesting methods in our manufacturing facility to ensure that water disposal does not harm the environment.

**15 LIFE ON LAND**

We manage ecosystems in both factories, actively working to prevent biodiversity loss and promote the preservation of life on land.

**16 PEACE, JUSTICE AND STRONG INSTITUTIONS**

The Company's Board of Directors and executive leadership ensure accountability and ethical conduct among employees and the management. Corporate governance procedures and prudent risk management frameworks guide us to ensure that the company operates within regulatory limits and internal controls.

**17 PARTNERSHIPS FOR THE GOALS**

- Working with employees and stakeholders (Distributors, suppliers, and others) to achieve a harmonizing effect.
- We-indirectly contribute to the social well being and development by way of paying taxes of Rs.485 Mn to the Government.

# OPERATING ENVIRONMENT

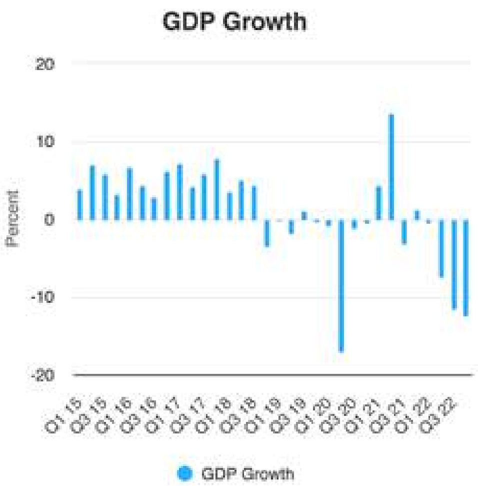
## GLOBAL ECONOMIC OUTLOOK

Global growth is projected to decelerate sharply, reflecting synchronous policy tightening aimed at containing very high inflation, worsening financial conditions, and continued disruptions from Russia's invasion of Ukraine. Investment growth in Emerging Markets and Developing Economies (EMDEs) is expected to remain below its average rate of the past two decades. Further adverse shocks could push the global economy into recession. Small states are especially vulnerable to such shocks because of the reliance on external trade and financing, limited economic diversification, elevated debt, and susceptibility to natural disasters. Against this backdrop, it is critical that EMDE policy makers ensure that any fiscal support is focused on vulnerable groups, that inflation expectations remain well anchored, and that financial systems continue to be resilient. Urgent global and national efforts are also needed to mitigate the risks of global recession and debt distress in EMDEs, and to support a major increase in EMDE investment.

*(Source: Global Economic Prospects January 2023)*

## THE ECONOMIC BACKDROP OF SRI LANKA

The economy of Sri Lanka shrank 12.4% year-on-year in the fourth quarter of 2022, the second-worst contraction on record, as the country's ongoing economic crisis worsened. The Sri Lankan economy grappled with soaring inflation, depleted reserves of strong currencies, shortages of energy and fertilizers, and a debt crisis that worsened after the government defaulted on debt in the second quarter. The economic downturn mainly pressured the industrial sector of the economy, plunging 30.1% in the fourth quarter, while services fell by 3.9%. Considering the full year, the Sri Lankan GDP fall by 7.8%, the most recent on record.




*(Source: www.cbsl.gov.lk)*

The economic situation has resulted in severe hardships for the people due to lack of fuel, gas, food, and pharmaceuticals, which in turn has developed into political and social uncertainty.

## THE PIPE INDUSTRY OUTLOOK

The entire piping industry in Sri Lanka is estimated at around Rs. 17 Bn. However, Inflation, fluctuations in exchange rates, and increases in raw material prices on top of supply chain disruptions have severely affected the performance of the manufacturing industry as a whole. Less demand drivers of agriculture and real estate including housing, retail, hospitality and commercial had made a major impact to low growth in the sector and temporary shutdown of national rural drinking water projects also impact demand.

## CHALLENGES AND OPPORTUNITIES OF PIPE INDUSTRY

- Shortage of foreign exchange to import raw material
- Restriction on imports
- High interest rate
- Improving water supply and sanitation infrastructure
- Improve agriculture sector demand
- Discovering new applications for PVC and PE pipes
- Suspension of major water supply and drainage projects at National and Provincial level and weak performances from other sectors that drive demand for the industry such as foreign and local estate, hospitality industry have resulted in a significant shrinking of demand for PVC, PE and other products in the industry.

# AWARDS AND ACCOLADES

**Industry awards and recognitions testify to our social impact and enhanced brand reputation, thus impacting our value creation process. During the financial year 2022/23, Central Industries PLC won the following prestigious industry award:**

Central Industries PLC, manufacturing sector, has been recognized with two prestigious awards at the CNCI Achiever Awards 2022, organized annually by the Ceylon National Chamber of Industries to acknowledge local businesses' outstanding contributions to the country's GDP. The awards ceremony, held at the Galadari Hotel in Colombo, was graced by His Excellency the President, Ranil Wickremesinghe, as the Chief Guest.

Central Industries PLC was honored with the CNCI Top Ten Award in the Extra-large category for manufacturing, which was a remarkable achievement considering the fierce competition it faced from industry leaders. The CNCI Achiever awards' evaluation process is comprehensive and takes into account various aspects, including financial performance, research and development, employee welfare, product development and innovation, investment, marketing, corporate social responsibility, and sustainability. Therefore, winning this award is a testament to Central Industries' excellence in all these areas.

It is worth noting that the CNCI Top Ten Award is one of the most coveted awards in the industry, and winning it is an exceptional accomplishment. Additionally, Central Industries PLC was also recognized with a National Level Merit Award in the same category, further highlighting the Company's outstanding performance.

The recognition received by Central Industries PLC is a testament to its commitment to excellence and innovation, which has led to sustained growth and profitability. The Company's dedication to research and development, coupled with its focus on employee welfare and sustainability, has enabled it to stand out among its peers and emerge as a leader in the industry.

In conclusion, Central Industries PLC's double win at the CNCI Achiever Awards 2022 is a remarkable feat that underscores the Company's position as an industry leader. With its continued focus on excellence and innovation, Central Industries PLC is well-positioned to achieve even greater success in the future.

Central Industries PLC is listed in the second board of 2021/22 financial produce LMD 100 Second Board.


FINANCIAL PROFILE
LMD 100 SECOND BOARD
LMD 100
SRI LANKA'S LEADING LISTED COMPANIES

| RANK 21/22 | COMPANY | REVENUE (Rs. m) |
|---|---|---|
| 1 | LANKA ASHOK LEYLAND | 6,861 |
| 2 | BAIRAHA FARMS | 6,742 |
| 3 | CENTRAL INDUSTRIES | 6,732 |
| 4 | RICHARD PIERIS EXPORTS | 6,537 |
| 5 | WATAWALA PLANTATIONS | 6,475 |

# THE CAPITAL APPROACH

# FINANCIAL CAPITAL

The key inputs of our financial capital are equity, debt and other funding sources. We use the financial capital input to generate returns and create monetary value for all stakeholders and enhance growth through investments in other capital. In developing our financial capital we focus on sustainable revenue growth opportunities, regional expansion with core focus on improving sustainable business performance, ensuring financial stability and strengthening stakeholder engagement.

### Financial Capital Input

- Shareholder funds
- Quality raw material and finished good
- Borrowings
- Retained earnings

### Strategic Imperatives

- Maintain required quality raw material for production
- Maintain business stability through positive cash flow
- Cost optimization
- Manage healthy working capital management position with investment of excess cash in Bank fixed deposits and other financial investments.
- Consistent return on equity

### Value Created

- Profit after Tax **Rs. 643 Mn**
- Payments to suppliers **Rs. 2,930 Mn**
- Payments to employees **Rs. 367 Mn**
- Payment to Government as Tax **Rs. 455.55 Mn**

## FY 23 AT A GLANCE

Revenue **Rs. 4.3 Bn**

**Rs. 3.2 Bn** Total Equity
**22%** YoY Increase

**36%** Gross profit Margin

**Rs. 27.41** Basic Earnings Per Share

**Rs. 773.04 Mn** PBT
**15%** YoY increased

## OVERVIEW

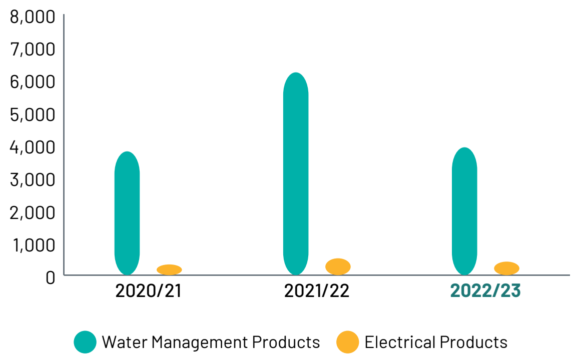
In spite of the challenging macroeconomic environment, the Company's Turnover was Rs. 4.3 Bn while PBT increased to Rs. 773 Mn which further demonstrated the Company's sustainability. This commendable performance can be attributed to the prudent strategic decisions that we took in the Management of our customer base and maintaining working capital. As a result of increased profitability the Company's earnings per share increased to Rs. 27.4 from Rs. 21.4 from the previous financial year.

## REVENUE

Company revenue stood at Rs. 4.3 Bn. The water management products sector contributed 90% of revenue amounting to Rs. 3.9 Bn for the year under review. This contribution growth was due to imperative focus on improving distribution channel and products availability anywhere in the country.

In the year under review, Central Industries PLC expanded its market share by opening new dealer distributors in Polonnaruwa, Ratnapura, Kamburugamuwa and Piliyandala. Due to the macroeconomic crisis, the water management products sector has reported lower growth in the year under review when compared to last year.

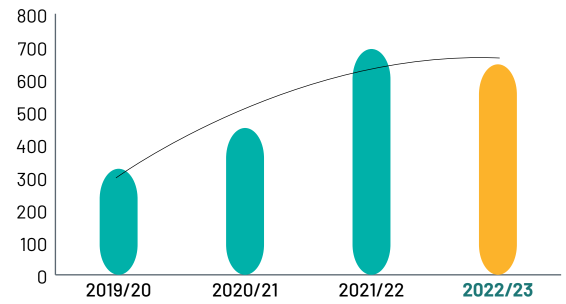
**Revenue** *(Rs. Mn)*




## KRYPTON ELECTRIC

The Krypton Electrical Sector has contributed 10% revenue amounting to Rs. 415 Mn in the year under review and the sector has achieved a significant revenue growth over the last four years. The Company has been able to introduce new products under the brand 'Krypton Pioneers'. There were 04 dealer appointments during the financial year 2022/23 in the area of Gampaha, Kurunegala, Wellampitiya and Mathugama.

**Krypton Electric Revenue** *(Rs. Mn)*

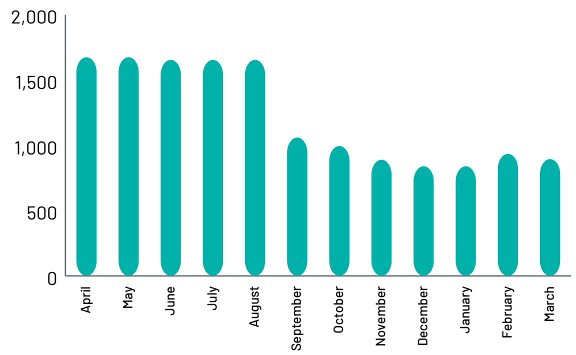



## PROFIT BEFORE INTEREST AND TAX (PBIT)

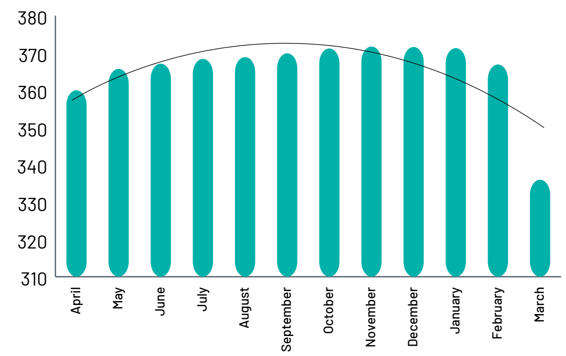
The Company reported an operating profit of Rs. 1.1 Bn in the financial year 2022/23, which is a 12% increase when compared to the financial year 2021/22.

Our product cost composition consists and this of 55% - 65% of foreign raw material and prices of the raw material has come down in second part of the year in the global market and the price movement has impacted to increase the gross profit of the Company. Meanwhile fluctuation of the exchange rates at a higher price has badly impacted the profitability of the Company with the shortage of foreign currency.

**Unit Price of USD for MT**




**Exchange Rate Movement - Rs. Vs USD**



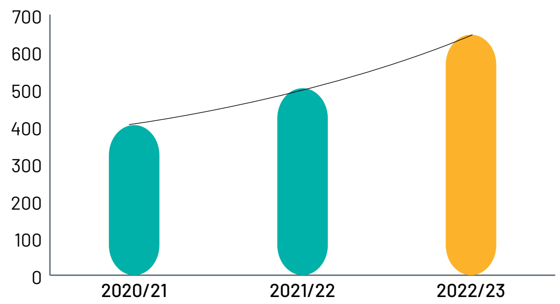
# FINANCIAL CAPITAL

## PROFIT AFTER TAX

The Company recorded a profit after tax of Rs. 643.18 Mn during the financial year under review which is a 29% growth when compared with last year. This improvement was the result of aggressive market penetration and brand development strategies to capitalize on favorable demand trends.

Central Industries PLC was able to continue uninterrupted operations at the factories at a satisfactory level and supply the products to the market, even during the challenging period when import restrictions and exchange controls created a shortage of raw material in the industry.

**Profit After Tax** *(Rs. Mn)*

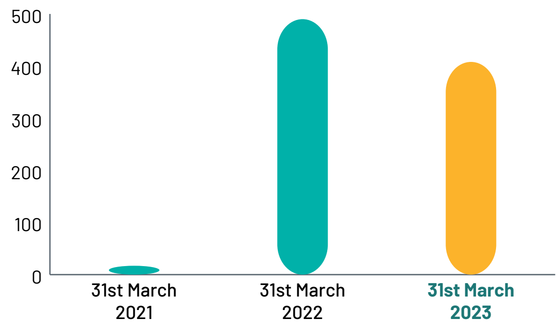



## CASH FLOW AND LIQUIDITY POSITION

Although the cash and cash equivalent production deteriorated slightly to Rs. 408.1 Mn compared to Rs. 490 Mn in the previous year the Company achieved a net cash generation of Rs. 152.7 Mn.

The main reason for the reduction in cash and cash equivalents was the major capital investment in the year under review, including new buildings constructed at the Elhena plant and the investment in rooftop solar. The resulting net cash and cash equivalents of Rs. 472 Mn reduce to a net cash and cash equivalents outflow of Rs. (81) Mn.

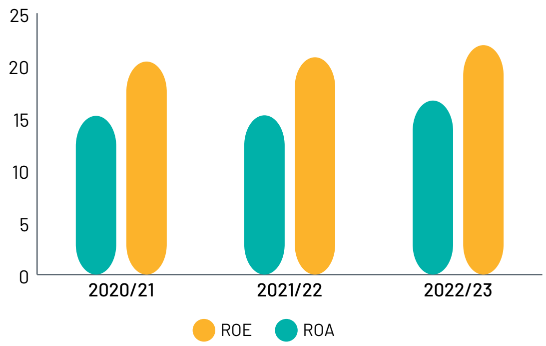
**Year end Cash and Cash Equivalents** *(Rs. Mn)*




## ROA AND ROE

Return On Asset (ROA) for the year ending 31st March, 2023 was 16.58% (2021/22 15.23%) driven by the 9% increase in operating profit before interest and taxes. The Return On Equity (ROE) increased to 21.84% in the reporting year compared to 20.78% in the previous financial year.

**ROA and ROE** *(%)*




## PERFORMANCE OF THE ORDINARY SHARES

The market price of the ordinary share reduced by 14% as at the end of March 2023 from Rs. 98.10 per share at the end of March 2022. Further share turnover has reduced by 72% compared to last financial year. The following table discloses the behavior of the share price of Central Industries PLC.

| Share Price | 2022/23 | 2021/22 |
|---|---|---|
| Highest (Rs.) | 107.00 | 269.5 |
| Lowest (Rs.) | 49.10 | 90.00 |
| Closing (Rs.) | 84.30 | 98.10 |
| Trade Volume | 10,764,113 | 18,952,875 |
| Turnover (Rs.) | 814,043,449 | 2,975,425,133 |

## AS SUMMARY

| KPI | Definition | Company Performance | Output |
|---|---|---|---|
| Asset Quality | **Current Ratio / Quick Assets Ratio**<br>Current / Quick asset ratio indicated the amount of liquid assets available against the amount of current liabilities of the Company. | The current ratio has improved to 4.84 (times) in 2022/23 from 1.75 (times) in 2021/22, mainly due to remarkable improvement settlement of current liabilities. | **Current ratio**<br>2022/23 **4.84:1** ⇧<br>2021/22 **1.75:1** |
| Management efficiency | **Gross profit ratio**<br>Gross profit ratio is the financial measure derived through cost of sales divided by total operating income. | Company gross profit ratio improved to 36% in year 2022/23 compared to 21% in year 2021/22 which demonstrates improved efficiency in the management of cost of sales and increased net contribution. | **Gross profit ratio**<br>2022/23 **36%** ⇧<br>2021/22 **21%** |
| Earnings | **Return on Equity (ROE)**<br>ROE is calculated by dividing the profit after tax from the average total equity. ROE is the most common internal performance measures of a company's profitability from the shareholder's point of view. | Central Industries PLC achieved ROE of 21.84% In the year 2022/23 compared to 20.78% in the previous year which demonstrates the Company's ability to execute its strategies to maximize shareholder wealth. | **Return equity**<br>2022/23 **21.84%** ⇧<br>2021/22 **20.78%** |

**Related Material Topics**

- Our Contribution to the economic and value creation for stakeholder.
- Machinery and Technology improvements

**Forecast on 2022/23**

- Maximizing market share
- Improving production by way of cost optimization
- Investment in machineries

**Related Sustainable Development Goals**

| | |
|---|---|
| 16 | Economic growth |
| 10 | Remunerations for employees and tax payments to government |
| 10 | Bonus Payments |
| 11 | Investments |

# MANUFACTURED CAPITAL

Our manufactured capital comprises physical assets including property, plant and equipment, distribution network and IT infrastructure. Our manufactured capital is employed in day-to-day operations to assist the value creation process for customers and by extension to all stakeholders.

### Manufactured Capital Input

- Property, Plant and Equipment as at 31st March 2023 **Rs. 1,093,580,000**
- Two manufacturing plants at Wattala and Elhena
- Capital work in progress at our Elhena plant as at 31st March, 2023 **Rs. 105,735,000/-**
- Core systems and progress

### Strategic Imperatives

- Investment in new PVC fittings moulds
- Enhanced product development capabilities
- Proper maintenance in manufacturing plants to ensure smooth flow in operations
- Technically qualified and skilled maintenance team at the factories
- Enhanced distribution channels

### Value Created

- Improved customer satisfaction
- Higher return on investment

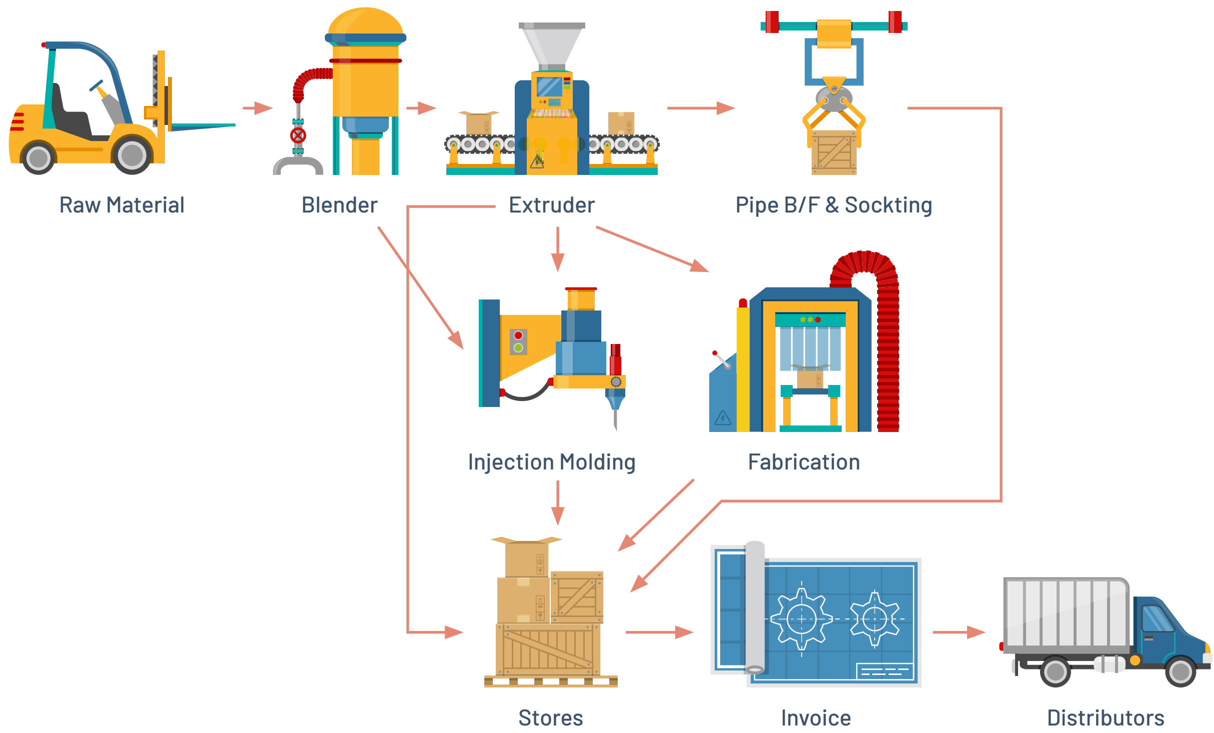
## MANAGEMENT APPROACH

Our approach to managing our manufactured capital is in line with ISO 9001:2015 quality management certification.

All new investment and expansion decisions are reviewed and approved by the Board in line with the annual budget and business target of the future years. CAPEX decisions are made by the Board after review of financial and other quantitative information analysis. The Board also considers the environmental and social impacts associated with CAPEX expenditures.

We follow procurement related best practices to verify supplier credibility and therefore proper evaluation and registration processes is followed. We have several numbers of main foreign suppliers to purchase raw materials to ensure healthy supply chain management with quality raw materials.

# OUR MANUFACTURING PROCESS




# MANUFACTURING AND DISTRIBUTION INFRASTRUCTURE

Our two manufacturing plants play an integral role in reaching out to and facilitating customer requirements with viable growth. The Company currently invests 59% for infrastructure out of the Company's total asset base.

Our distribution channel consists of large number of distributors in the water management segment (PVC Pipes, fittings and related products) and also in the Electrical production segment around the country. More than 5,000 dealers have been serviced throughout the country through these distribution, channel during the year.

# MANUFACTURED CAPITAL

## TECHNOLOGY IMPROVEMENT OF THE MACHINERIES

We continuously focus on and prioritize our manufacturing technology and product technology. During the year we invested in new high capacity PVC injection mould and also diversified these production technology to enabled the production of injection molding HDPE Fittings.

## CAPITAL INVESTMENT TO FINANCE ASSETS

**Property, Plant and Equipment (Rs. Mn)**

| Freehold Land and Buildings | | |
|---|---|---|
| 2021 | 2022 | 2023 |
| 684.2 | 690.6 | 710.2 |

| Plant and Machinery | | |
|---|---|---|
| 2021 | 2022 | 2023 |
| 570 | 630.2 | 707 |

| Furniture, Fittings, Tools and Equipment | | |
|---|---|---|
| 2021 | 2022 | 2023 |
| 62 | 55.5 | 56.3 |

| Computer System | | |
|---|---|---|
| 2021 | 2022 | 2023 |
| 21 | 24.2 | 24.9 |

| Motor Vehicle | | |
|---|---|---|
| 2021 | 2022 | 2023 |
| 21 | 21.4 | 21.2 |

**Related Material Topics**

- Enhanced distribution channels
- Customer convenience and accessibility
- Enhanced product development capabilities

**Forecast on 2022/23**

- Improve product development capabilities for customer and employee convenience
- Introducing new distributor

**Related Sustainable Development Goals**

- Investment in machinery
- Improving our factories production capacity to achieve positive growth

# HUMAN CAPITAL

## MANAGEMENT APPROACH

Our employees are amongst our key stakeholders and their well-being, growth and satisfaction is integral to the overall pursuit of growth. As such, our ultimate goal is in developing human capital and in becoming an employer of choice, by creating a warm environment that truly promotes employee satisfaction and opportunities for growth.

### Human Capital Input

- Recruit right-profiled candidates to the right job
- Best labour practices to retain talented staff
- Comprehensive welfare benefits
- Training and Development
- Performance based work culture
- Succession planning

### Strategic Imperatives

- Developing the right skills and culture
- Recruiting right worker to the right job through a fair recruitment process
- Focused training opportunities
- Accelerating diversity to enrich the employee force
- Creating performance based work culture and recognize high achievers

### Value Created

- Improved employee satisfaction and productivity
- Improved customer service and satisfaction
- Improved profitability and operational integrity

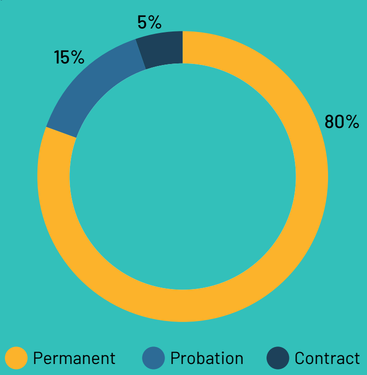
## HR GOVERNANCE

Central Industries PLC recognizes that its human capital is an appreciating asset that brings continuous returns. Being in predominantly manufacturing and sales and distribution-based industry the Company understands that productivity, efficiency and customer focus, along with other necessary skills of vital importance in obtaining a competitive advantage. Company has built a culture based on the values of trust, mutual respect and dialogue. To foster this culture as a competitive advantage, the Company maintains collective relationships with employees of all levels in line with its Corporate Business Principles and it always assures that all HR functions are conducted efficiently with much focus on ensuring compliance with the labour regulatory framework and in fostering a sound and stable relationship between Management and staff.

| Gender | No of Employees | % |
|---|---|---|
| Female | 59 | 17 |
| Male | 284 | 83 |

| Gender | Executive | Junior Executives | Non Executives | Total |
|---|---|---|---|---|
| Female | 6 | 4 | 49 | 59 |
| Male | 48 | 12 | 224 | 284 |
| Total | 54 | 16 | 273 | 343 |

**Cadre Map** (%)



# HUMAN CAPITAL

## TOTAL WORKFORCE BY REGION AND GENDER

We provide employment to over 343 individuals through Head Office administrative,factories and sales representatives established across the country. We have offered competitive market salary scales and benefits to all staff and have offered new job opportunities each year contributing indirectly towards the creation of thousands of job opportunities across Sri Lanka.

| Region | Male | Female | Total |
|---|---|---|---|
| Western | 163 | 48 | 211 |
| Central | 19 | 2 | 21 |
| Eastern | 11 | 1 | 12 |
| Northern | 11 | 1 | 12 |
| North Central | 12 | 2 | 14 |
| Sabaragamuwa | 20 | 0 | 20 |
| Southern | 21 | 4 | 25 |
| Uva | 10 | 0 | 10 |
| North Western | 17 | 1 | 18 |

## LEARNING AND DEVELOPMENT

The Human Capital Management process of the Company is planned and designed to recruit the right mix of talent for the right fit, equipping individuals with appropriate tools and skills in order to deliver an optimum performance both in today's and future contexts in a conducive work environment. HR sourcing and retention together with building loyalty, integrity and competency amongst all employees remains as a key challenge in the highly volatile labor market. In response, we are committed to groom our employees for the next level of operational excellence and at the same time managing harmoniously a blend of various generations of employees. We have always ensured that our employees are treated well, with appropriate remunerations, and also opportunities for skills development and training together with career growth. We are focused on attracting the best talent for our team so that we can serve diverse customer segments across the island.

## PERFORMANCE MANAGEMENT POLICY

The Company emphasises establishing and building a strong performance driven culture with greater accountability and responsibility at all levels. To that extent the Company views capability as a combination of the right people in the right jobs, supported by the right processes, systems structure and resources. Training needs are felt when the supervising members discover/perceive deviation between standard performance and actual performance of its employees and which is being captured during the periodic appraisals and training need analysis. As the Company employs different categories of employees varying from unskilled, semi-skilled, skilled, clerical and allied, managerial for production and operation, Training and Development plays a vital role in the Company. It organizes various training and development programmes, both in-house and external in order to enhance the skills and efficiency of its employees.

## SUCCESSION PLANNING

The Company ensures it identifies critical positions within the organization and develops action plans for individuals to assume those positions. Taking a holistic view of current and future goals, this preparation ensures that the Company has the right people in the right jobs today and in the years to come. It also strengthens the overall capability of the organization by, Identifying critical positions and highlighting potential vacancies, selecting key competencies and skills necessary for business continuity, and focusing on the development of individuals to meet future business needs.

## SAFETY POLICY OF FACTORY WORKERS

Everyone at Central Industries PLC has a role to play. Managers are responsible for the occupational health and safety of their subordinates and third parties under their control. As a condition of employment, all employees have a duty to work safely.

During the process of orientation all newcomers are given an induction of the Occupational Health & Safety Management System. Apart from that the Employee Handbook also provides guidelines in respect of the Occupational Health & Safety Management System of the Company. The Company always ensures it provides relevant Personal Protective Equipment (PPE) where required to ensure Health and Safety of its employee while they are at work. Also, it conducts regular training programmes to educate and refresh employees and keep them up-to-date with industry standards. We ensures that the Company abides by the legal requirement with regards to Occupational Health & Safety in accordance with the Factories Ordinance and other relevant industry standards.

**Related Material Topics**

- Creating strong united culture
- Diversity, equity and team building

**Forecast on 2022/23**

- Providing additional financial assistant
- Ensuring employees health and safety

**Related Sustainable Development Goals**

| |
|---|
| Employee training |
| Employment opportunative and economic growth for employees |
| Ensuring equitable opportunities for female workers |
| Opportunities and promotions for career development |

# INTELLECTUAL CAPITAL

**Our intellectual capital plays an integral role in our value proposition and growth aspirations. Apart from the valuable contribution of our human capital the components of our intellectual capital are our intrinsic knowledge and market insights as well as processes and protocols. This intellectual capital steers our ability to gain a competitive advantage and pursue viable growth.**

| Intellectual Capital Input | Strategic Imperatives | Value Created |
| --- | --- | --- |
| • Knowledge and experience of staff<br>• Tailor made solution offering<br>• Training and development of employees<br>• Information driven insights into customer requirements | • Consistent brand improvement approach and improvements<br>• Investment to build high tech methodologies for greater productivity and cost efficiency<br>• Consistent research and development at factory level<br>• Improving technological infrastructure | • Market share expansion<br>• Achieve ever highest Profit after Tax of **Rs. 643 Mn**<br>• Product portfolio diversification |

## BRAND STRENGTH

Brand recognition is the degree to which a brand is recognized by potential customers, and the National brand is a prime example of a brand that has successfully achieved high levels of brand recognition in Sri Lanka. The brand has a strong reputation for producing high-quality uPVC and PE pipes and fittings with water management solutions that are trusted by both urban and rural customers. This has helped National brand to become a top-of-mind brand for consumers in the market, which is crucial for success in any industry.

Krypton is another flagship brand that has been in the market for almost two decades. The brand has progressed over the years to become one of the safest switches brands in Sri Lanka. The elegant design of N series product range, durability, and trust over the period on safety are some of the key features that have helped Krypton to build a strong brand reputation in the market. The brand has been trusted by both domestic and large commercial projects, which is a testament to its quality and reliability.

The brand is a quality leader in the market, and its vision is to be the preferred choice of the discerning customer for products and services in the construction industry. This vision has helped the brand to become a market challenger in the category, and it enjoys a considerable market share. A range of products have been added to its product portfolio over the years, including innovative products such as the Greenwood valance board, which has helped the brand to maintain its competitive edge in the market.

In conclusion, "National" and "Krypton" are two prime examples of brands that have successfully achieved high levels of brand recognition, loyalty, reputation, and equity in the Sri Lankan market. The brands' success can be attributed to their high-quality products, excellent customer service, and innovative product offerings. These factors have helped the brands to build a strong reputation in the market, among key stakeholders such as opinion leaders, community, and become a preferred choice for customers in the construction industry.

## CERTIFICATIONS & LICENSES

National PVC has achieved several certifications and license, which have helped to establish it as a reputable and reliable brand in the market.

The first certification that National PVC received was the SLS certification for its uPVC pipes and fittings. This certification is issued by the Sri Lanka Standards Institution (SLSI), which is the national standards body in Sri Lanka.

# INTELLECTUAL CAPITAL

The SLS certification indicates that National PVC's uPVC pipes and fittings meet the standards set by SLSI for quality and safety. This certification is crucial for customers as it assures them that they are purchasing high-quality products that meet the necessary standards. The brand Krypton too has been certified by SLS certification.

In addition to the SLS certification, the Company has also received ISO certification for its processes. The ISO certification is an international standard that sets out the requirements for a quality management system. The certification indicates that the Company has established a robust quality management system that ensures its products are consistently produced to meet customer requirements and applicable national and international standards.

National PE products have also obtained SLS certification and WRAS (United Kingdom) certification for its products. The WRAS certification is issued by the Water Regulations Advisory Scheme, which is an independent organization that advises the UK government on water regulations. This certification indicates that National PE products meet the UK's water regulations, which are some of the strictest in the world.

The Company's manufacturing facilities have also received certification from the Central Environmental Authority (CEA). The CEA is a Sri Lankan government agency responsible for regulating environmental issues. The certification indicates that the factories comply with the environmental regulations set by the CEA. This certification demonstrates the Company's commitment to environmental sustainability and responsible manufacturing practices.

## BUSINESS ETHICS

Central Industries PLC is a public-quoted company with a reputation for upholding industry-standard business ethics. The Company's management has always placed a high value on ethical practices and compliance with regulatory requirements.

One of the core responsibilities of Central Industries PLC is to ensure compliance with industry regulations and standards. This includes adhering to labor laws, environmental regulations, and product safety standards. The Company places a high priority on compliance and has implemented measures to ensure that it adheres to all relevant regulations and standards. These measures include regular audits, employee training programs, and the establishment of internal controls to ensure that all operations are conducted in a legal and ethical manner.

Central Industries PLC also places a high value on ethical practices. The Company's management believes that ethical behavior is crucial to building trust with customers, suppliers, and other stakeholders. As a result, the Company has established a code of conduct that outlines the ethical standards that all employees are expected to follow. The code of conduct covers a wide range of topics, including honesty, integrity, respect, and fairness.

Central Industries PLC has implemented measures to ensure that employees are aware of the importance of ethical behavior. The Company provides regular training to employees on ethical practices and encourages them to report any unethical behavior that they observe. Additionally, the Company has established a whistle blower policy that allows employees to report any unethical behavior anonymously without fear of retaliation.

## OUR PRODUCT PORTFOLIO

National PVC products have been provide the best solutions for our consumers' water management requirements over several decades. National PVC pioneered in obtaining SLS certification for its uPVC pipes and fittings in Sri Lanka. Certified with SLS 147 and SLS 659. The brand set the standards for uPVC product categories in Sri Lanka. The brand has earned the respect of key stakeholders as one of the most trusted providers of reliable, high quality products for domestic users as well as large scale infrastructure projects.

National PE (High Density Polyethylene) is one of the key players in Sri Lanka launched few years ago is certified with SLS 1498 and SLS 1499 for its pipes and fittings. The product is manufactured with WRAS certified materials (Water Regulations Advisory Scheme United Kingdom). National PE pipes fittings are a pre-qualified supplier to the National Water Supply and Drainage Board. The products are supplied to large corporate projects as well.

Certified under the SLS 935 standard, National PVC solvent cement is the best solution for uPVC pipes and fittings.

Krypton electrical products are manufactured under stringent quality guidelines. Products are certified under local and international standards. Products are assembled in the factory and certified with SLS certifications. Number of new products were introduced to the market in the last financial year.

The Krypton brand encompasses the "N" series range of high quality products manufactured by the Company and reflected under appropriable SLS Standards. It also includes the premium range "Krypton Pioneer" series of elegant switches and sockets available in several colours which give a wide choice for customers. Several new products were added to this range during the year to provide enhanced solutions to customers.




Central Industries PLC pioneered the manufacturing of Stainless Steel (SS) Storage Tanks in Sri Lanka. National SS storage tanks are ideal for storing water or oil in industrial environments ensuring the highest standards of hygiene. Polyethylene (PE) water tanks are manufactured and marketed under the brand name 'National PE'.

National PVC premium garden hose is an ideal product for garden lovers and agricultural purposes. Available in three colours and flexible solutions of different lengths.



**Related Material Topics**

- Skill and trained staff
- Tailor made solution offering

**Forecast on 2022/23**

- Branding and marketing activities
- Consistent research and development at factory level
- Product portfolio and diversification

**Related Sustainable Development Goals**

- Employee training and development
- Technology improvements and innovation

# SOCIAL AND RELATIONSHIP CAPITAL

**Our social and relationship capital hinges on the stakeholder ecosystems that we continue to nurture with our customers, business partners and the community at large as well as the inter-relationships between them that contribute to the value creation process. We maintain robust communication channels with each stakeholder group and gain insights into their requirements on a regular basis. Our core aim in nurturing stakeholder relations is to create lasting value in terms of social and relationship capital in a mutually beneficial manner**

### Social and Relationship Capital Input

- Proactive relations with communities
- Customer service excellence
- Business partner engagement

### Strategic Imperatives

- Enhanced partnership with the Dealer Network to increase market share
- Expanding mass and social media outreach
- Employee training
- Investments in CSR Programs
- Maintaining good relationships with suppliers to ensure steady supply of raw materials
- Maintain an improved pre and after sales support to ensure satisfactory customer service
- Comply with relevant laws, rules and regulations in term of product responsibility

### Value Creator

- Increased customer base and market share
- Improved customer satisfaction and relationship
- Sustainable growth of the Company

## CUSTOMER RELATIONSHIP

### Customer service

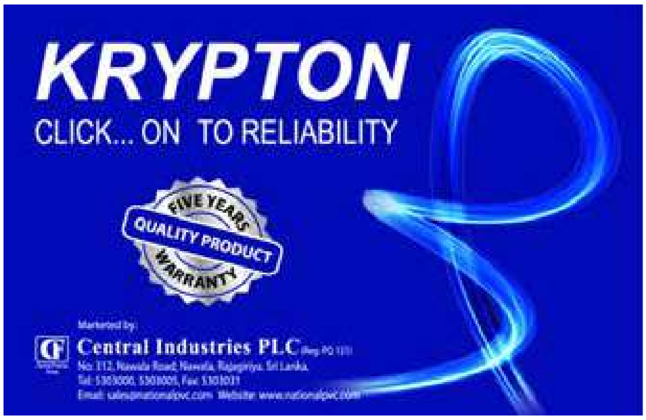
We, as a responsible corporate in the industry, provide warranty to all products which we produce. Warranty cards are attached with the products and our sales promotion officers are responsible for explaining and educating them to dealers and end customers.

We offer lifetime warranty for Krypton brand switches and sockets. They are in compliance with SLS certification and international standards. We offer warranty and after sales service for National PE water tanks. A special team of professionals including an engineer is available for onsite visits to address critical issues and provide any advice to customers on product application.

Our 'Krypton Brand" switches and sockets comply with SLS and international standards and are backed by lifetime or essentials of warranties.

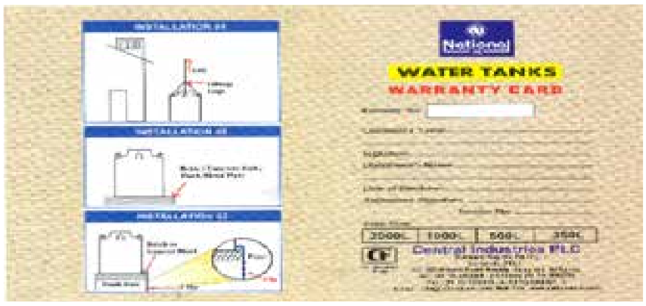

WhatsApp hot line and website


Krypton Switchgear Warranty Card

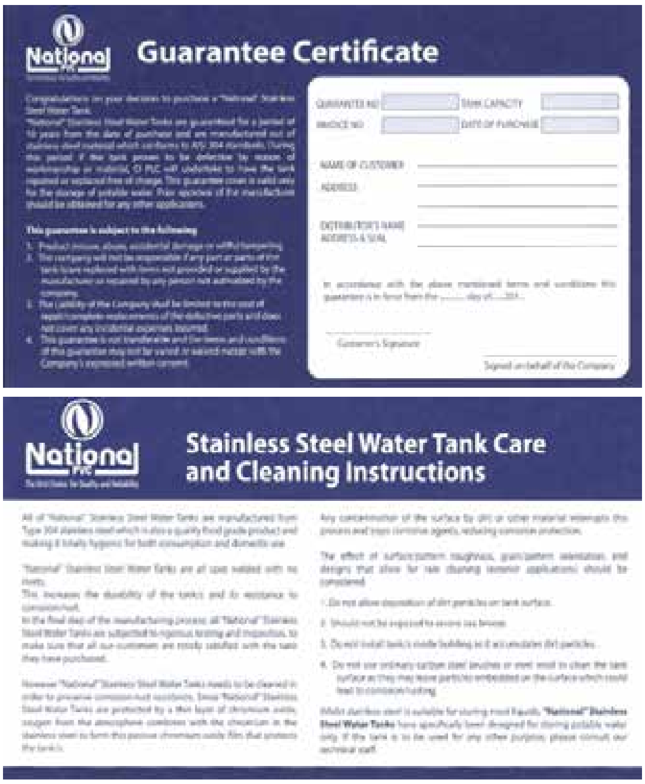



Krypton Switches and Sockets Warranty Card


Krypton Electrical – Warranty




National PE Water Tanks Warranty

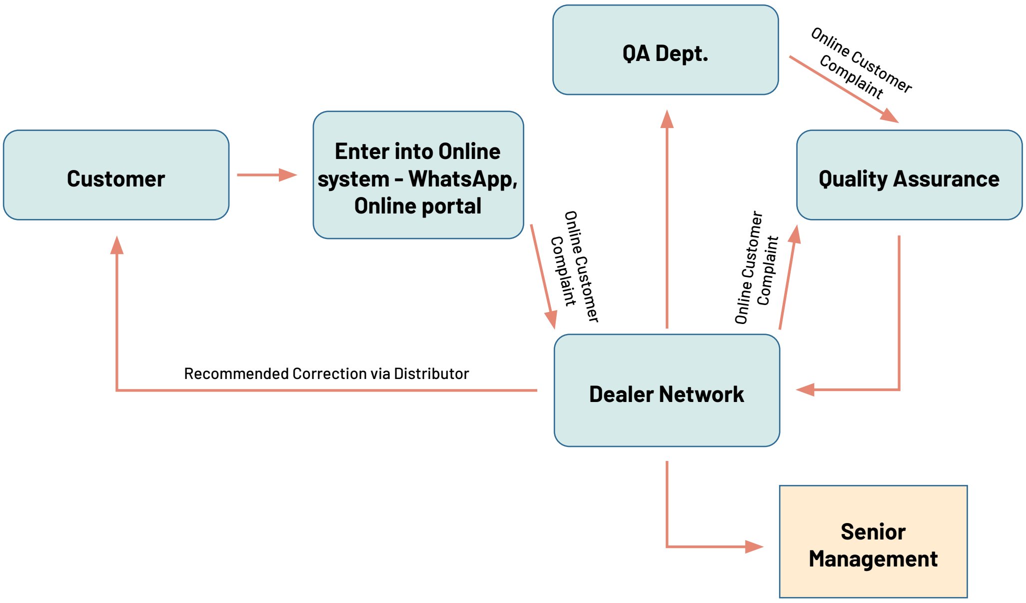


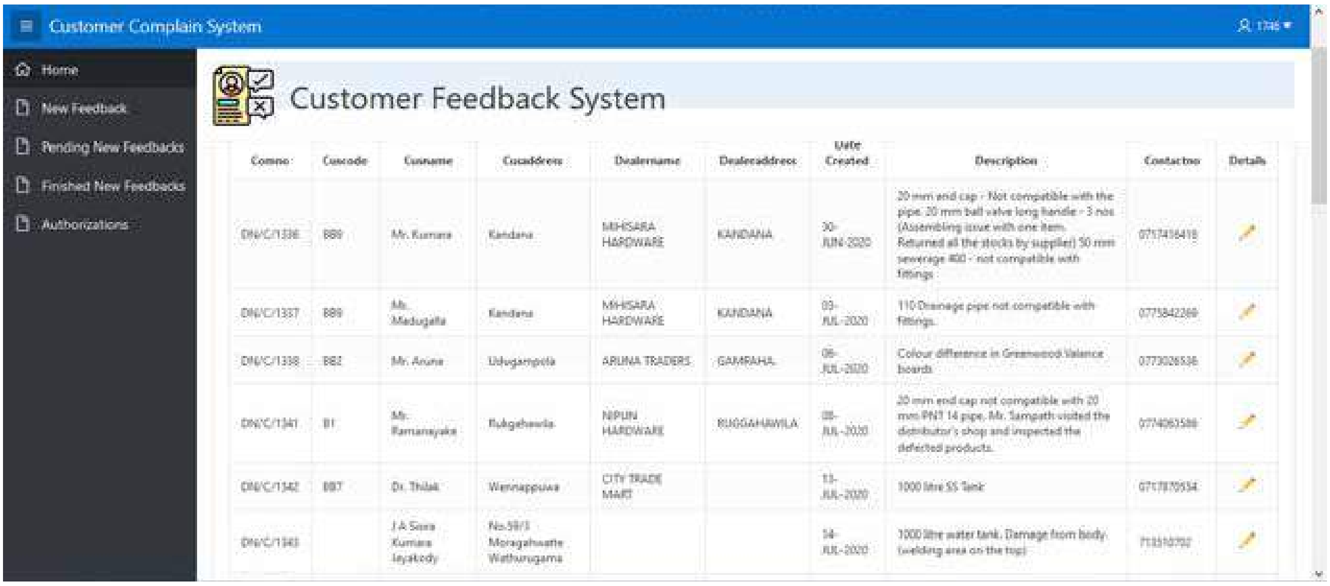

National Stainless Steel Water Tank – Warranty Card

Repairing of a water tank (for extended usage even beyond the terms of the warranty)

# SOCIAL AND RELATIONSHIP CAPITAL

## CUSTOMER COMPLAINT PROCESS




## PRODUCT ACCESSIBILITY

The Company has employed several distribution channels to make these products available to consumers easily and conveniently.

One of the primary methods used by the Company for distribution is through its authorized distributor network. The products are supplied to dealers in the market through these distributors. The widespread network of dealers ensures that the products are readily available to consumers across the country.

In addition to the dealer network, the Company has set up a showroom at its Head Office located at No.312, Nawala Road, Rajagiriya. The showroom provides a convenient place for consumers to purchase the goods or inspect them before making a purchase decision.

With the growth of e-commerce, the company has also launched an e-commerce site, cmart.nationalpvc.com. The products are listed on popular e-commerce portals, allowing consumers to purchase the products online. This is a convenient option for consumers who cannot visit the showroom or the dealers in person.

To ensure the continued availability and promotion of their products, the Company also employs a sales force. The sales force visits the dealers every day, ensuring that they are adequately stocked with the products and promoting the products to consumers.

The corporate and project departments of the Company cater to the corporate market, institutions, NWSDB, private projects, funded projects, and more, for both the Krypton and National PVC brands. This allows the Company to cater to a wide range of consumers and markets.

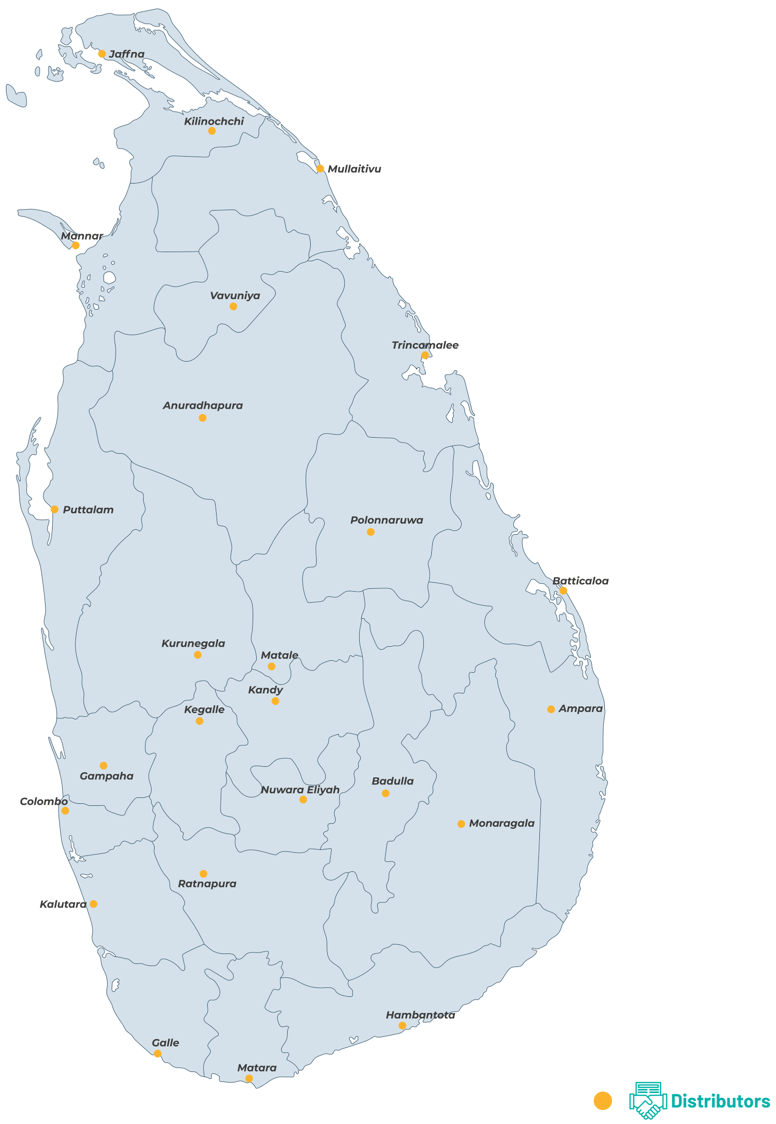
## PRODUCT RESPONSIBILITY

As a manufacturer of uPVC pipe and fittings, the Company has a great responsibility towards its customers to provide high-quality products that meet their needs and expectations. One of the most critical responsibilities of the Company is to ensure that its products are safe for use in the intended and recommended application.

To meet this responsibility, the Company has implemented rigorous quality assurance practices that are continuously being developed and improved. The Company has a dedicated team of experts who are responsible for ensuring that all products meet the highest standards of quality and safety. They conduct regular inspections and tests at every stage of the manufacturing process to ensure that the products meet the necessary quality and safety standards.

The Company also uses state-of-the-art technology to manufacture its products. The Company has invested in modern machinery and equipment that are designed to produce high-quality products efficiently and consistently. The manufacturing process is closely monitored to ensure that every product meets the required specifications.

## Distribution Network National PVC



# SOCIAL AND RELATIONSHIP CAPITAL

In addition to using modern technology and quality assurance practices, National and Krypton also adheres to strict industry standards and regulations. The Company is committed to complying with all relevant regulations and standards related to the manufacture and distribution of its products. This includes adhering to industry best practices and complying with local and international standards.

To ensure that customers are satisfied with the products and services provided by National and Krypton, the Company also places a strong emphasis on customer service. The Company has a dedicated team of customer service representatives who are available to answer questions, provide technical support, and help customers find the right products for their needs. The Company also provides comprehensive after-sales support to ensure that customers are satisfied with their purchases and that any issues are resolved quickly and efficiently.

Overall, Central Industries PLC takes its product responsibility very seriously. The company is Committed to providing high-quality products that are safe for use.

## MARKETING

The Company has been facing Sri Lanka's high volatility, uncertainty, complexity, and ambiguity (VUCA) conditions in the market, which has led to a shift in the brand activities. As a result, the Company has limited its above-the-line (ATL) and below-the-line (BTL) promotional activities and was active in digital marketing to reach its target audience more effectively. CIPLC has embraced digital marketing as a way to promote their National and Krypton electrical brands. The Company has established an e-commerce site to sell its products directly to customers. This approach has enabled the Company to reach a wider audience, while also providing customers with a convenient and secure way to purchase their products online.

In addition, the Company has listed its products on leading e-commerce portals to reach a larger audience. This approach has allowed the Company to tap into the growing e-commerce market in Sri Lanka, which is expected to grow significantly in the coming years.

## NEW PRODUCTS & INNOVATION

In recent years, there has been a significant growth in the introduction of new products that cater to the ever-changing needs of consumers. One such product is the Greenwood valance board, which has been designed to meet the customized requirements of users. This product is a versatile solution that can be used in a variety of settings, including residential and commercial buildings. It is made from high-quality materials, which makes it durable and long-lasting.

Another range of new products that has been introduced under the Krypton brand includes the sensor switch, key card switch, satellite switch, and cable switch. These products are designed to make life easier for consumers by providing them with innovative solutions that are both efficient and cost-effective. The sensor switch, for example, can be used to automatically turn on and off lights in a room based on the presence or absence of people. This helps to save energy and reduce electricity bills.

Similarly, the key card switch is a smart switch that can be used to control access to a room or building. It is ideal for hotels, offices, and other commercial settings where access control is critical. The satellite switch is designed to control multiple lights from a single location, while the cable switch is a versatile solution that can be used to control a wide range of devices.

Overall, these new products represent a significant step forward in the world of technology and innovation. By providing consumers with customized solutions that meet their specific needs, they are helping to make our lives easier and more comfortable. Whether you are a homeowner, business owner, or just someone looking for innovative solutions, these products are definitely worth considering.

## RELIGIOUS ACTIVITY

Central Industries PLC, a leading corporate entity in Sri Lanka, has been actively involved in various corporate social responsibility programs. As a part of its CSR program calendar, the Company has been sponsoring the Warapalana Sri Jinendraramaya for Katina Pinkama consecutively for several years. Another main event is the lighting of the Varnagala temple, which is situated in the foothills of Sri Padaya. Thousands of devotees visit this temple every year to pay their respects to Lord Buddha. Central Industries PLC has been sponsoring the lighting of the Varnagala temple as a part of its CSR program for many years in partnership with the Manusath Derana project. The Company provides the necessary funding to light up the temple during the Sri Pada season which is a major event on the Buddhist calendar in Sri Lanka. The lighting of the Varnagala temple is a spectacular sight to behold. The entire area around the temple is also illuminated, creating a beautiful and serene ambiance. These are testament to the Company's commitment to giving back to the community. The Company recognizes the importance of preserving Sri Lanka's cultural and religious heritage and is dedicated to supporting initiatives that promote these values.

## DONATION TO SCHOOLS

At Central Industries PLC, we are committed to supporting education in rural areas by providing resources and support to schools in villages. Our CSR initiatives are focused on improving the access to safe drinking water and helping to build a brighter future for children in these communities. Here are some of the ways in which we are making a difference:

Providing resources: One of the biggest challenges that schools in villages face is a lack of resources. Many schools do not have basic facilities which can make it difficult for teachers to provide quality education. To address this, we are providing resources such as drinking water systems and other equipment. We believe that investing in education is one of the most effective ways to create long-term value for society, and we are proud to be making a positive impact in this area.

**Celebration of Childrens Day, distributed ice cream to children in Swarna Jayanthi Vidyalaya, Kegalle**

**Sponsorship of Computer lab in collaboration with Rotaract Club and Standard Chartered Bank**



- Sponsorship for St. Anne's Balika Vidyalaya, Wattala
- Sponsorship for Karunaratne Vidyalaya, Ragama
- Sponsorship for Rangiri Dambulla Central College

## DONATIONS TO HOSPITALS

Water system was donated to the Cancer ward, Base Hospital, Kandy (with Lions Club)

Donating electrical products to Ratnapala Monk Hospital, Polonnaruwa

## MEMBERSHIPS

CIPLC is a member of The Ceylon National Chamber of Industries.

THE CEYLON NATIONAL CHAMBER OF INDUSTRIES · 1960 · CNCI · VOICE OF INDUSTRY

**Related Material Topics**

- Taking care of the community
- Customer services excellence

**Forecast on 2022/23**

- Helping the community due to the economic crisis
- Conducting product promotions

**Related Sustainable Development Goals**

| | |
|---|---|
| 1 NO POVERTY | Offers a living allowance of 25% of their basic salary |
| 1 NO POVERTY | Offers vouchers to dealer assistants. |

# NATURAL CAPITAL

Central Industries PLC's Natural Capital includes renewable and non-renewable resources that we utilize for our operations on a day-to-day basis. We strive for efficient use of natural resources to mitigate any negative impact on environmental sustainability. As such, we remain committed to conforming steady and fasting to all environmental guidelines as well as best practices to meet our corporate sustainability goals.

### Natural Capital Input

- Energy consumption
- Water consumption
- Recycled raw materials usage
- Raw materials used during the year

### Strategic Imperatives

- Refining and redesigning manufacturing process and the rewater cooling process
- Utilization of sustainable raw materials and minimum disposable waste
- Awareness building among the employees to reduce water consumption
- E-Learning platform established to reduce paper usage
- Established following recommended environmental guidelines

### Value Creator

- 5% reduction of energy consumption by installing a solar power plant at Elhena Factory
- Reduced water consumption
- Reduced stationery consumption
- Reduced raw material wastage
- All our plants are ISO certified

## FOCUSING ON CLEAN ENERGY AND ENVIRONMENT

From procurement of raw materials to ensuring sustainable manufacturing facilities until distribution our resources are used while safeguarding the environment and the community at large. Some of our key efforts have been directed as follows with positive outcomes.

- All our plants are ISO Certified
- We strive to optimize resource utilization, use environment friendly materials, reduce all forms of waste and reuse and recycle as much as possible to realize our sustainability goals
- Our factories use minimal ground water which is recycled and reused several times over, replacing only the portion lost by evaporation
- All plastic waste is fully segregated and recycled
- Power saving LED lighting is used across all factory locations

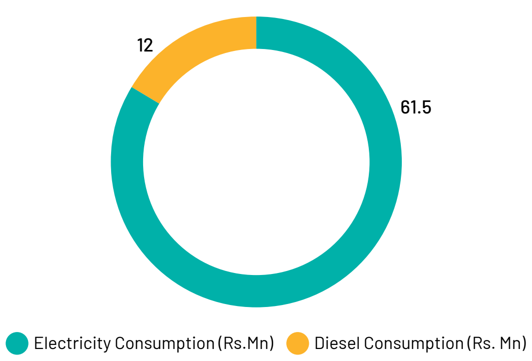
## ENERGY CONSUMPTION

Our manufacturing process is directly alignment to the energy sources of electricity and diesel. We are always focusing on reduction of energy consumption with cost reduction by way of investment into solar power at our Elhena factory, replacing CFL lighting with more energy efficient lighting and continue to engage in pre-planned maintenance schedules to maximize energy efficiency.

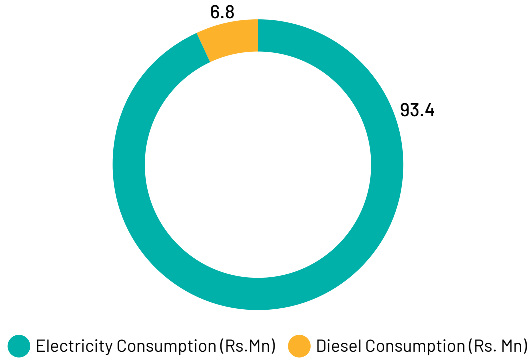
**Energy results in 2022/23**

| | 2022/23 | 2021/22 | Change |
|---|---|---|---|
| Diesel (Liters) | 26,400 | 52,800 | 50% |
| Electricity (kwb) | 2,142,402 | 6,578,388 | 67% |
| Diesel Energy consumption (Mn) | 12,049,000 | 6,758,400 | 78% |
| Electricity Consumption (Mn) | 61,552,160 | 93,467,300 | 34% |
| Total Energy consumption (Mn) | 73,601,160 | 100,225,700 | 27% |

Energy Results in 2022-23 *(Rs. Mn)*




Energy Results in 2021/22 *(Rs. Mn)*




## WATER CONSUMPTION

The water usage of our manufacturing process is about 75% of total water usage and includes cooling towers as well for consumption by employees.

Our water requirements are met through municipal lines and ground water system. Our Elhena factory uses only ground water through water drawn from wells which does not impact any common water bodies located in the area. We encourage employees to optimize the use of water resources and signboards are placed at factories user points to reinforce this message.

Purified portable water supplied by the National Water Supply and Drainage Board is used only for human consumption.

| | 2022/23 | 2021/22 |
|---|---|---|
| Municipal lines water consumption (units) M^3 | 2,402 | 3,342 |
| Ground water consumption (units) M^3 | 1,500 | 1,750 |

## WASTE MANAGEMENT

There are two types of waste generated in the two factories:

- Biodegradable waste – Leaf droppings and plant matter
- Waste generated from our operations

Biodegradable waste is composted and used to fertilizer the flora in the factory it self.

Energy consumption and efficiency is continuously monitored in order to obtain the highest level of energy usage efficiency. We conduct periodic energy audits to identify inefficiencies and

misplacement switch corrective action by investing in a solar power system. We replenish at least 1/3rd of our total electrical power consumption to the national grid from this renewable energy sources.

The waste generated from our operations include sweep resin raw materials, polythene and paper. As per the company waste management procedure all sweep resin raw materials are disposed to reuse for plastic low quality manufacturing with all polythene and papers. Accordingly, we are committed to minimize landfill waste through our operation by reusing and recycling of all waste.

Further, given the nature of our business as a manufacturing and selling establishment, paper usages are the largest waste component generated daily. Nevertheless we continue to seek viable options to reduce paper usage.

## ENVIRONMENTAL COMPLIANCE

Central Industries PLC has not been subject to any fines in the reporting year due to non compliance with environmental regulations.

**Related Material Topics**

- Involving safe drinking water supply
- Sustainable solutions for its production process
- Involving to maintain eco system

**Forecast on 2022/23**

- The company offers high quality water management products that enable consumers to reduce waste
- Tree planting initiatives at factory premises in Yakkala

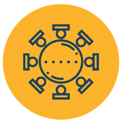
**Related Sustainable Development Goals**

| | |
|---|---|
| 13 | Green Environment |
| 13 | Clear climate |
| 15 | Life on land |
| 14 | Clean water |

# GOVERNANCE OF SUSTAINABILITY

**Central Industries PLC places high importance on sustainability initiatives and our management team facilitates the implementation of these initiatives.**

**Analysing sustainability information is a major part of the annual budgeting process where funds are allocated accordingly towards sustainability initiatives.**



Board of Directors

Director / CEO

Senior Managers
(Sustainability Team)

## SUSTAINABILITY INITIATIVES AND ACHIEVEMENTS

### Energy Management

During the period under review, CIPLC focused on meeting the needs of the present without compromising the ability of future generations to meet their own needs. It involves taking a holistic approach to environmental, social, and economic considerations to ensure long-term viability and minimize negative impacts on the planet.

We assess and reduce the environmental footprint of our operations and implement energy-efficient measures, such as using renewable energy sources and optimizing resource consumption.

- A major portion of the land area is kept free of buildings and structures and we ensure that a suitable number of trees are maintained in the premises to safeguard the ecosystem in the area.

- A rainwater harvesting system is being installed to optimize the use of water resources.

We have planned to install a 400 kVA solar power generation system where the initial assessment has been completed.

Solar energy system, Factory premises, Yakkala

Use of natural lighting

- The production facility and warehousing buildings have been designed and built to maximise the use of natural lighting.

We minimize waste generation by implementing recycling and waste reduction initiatives. The Company is committed to reusing and recycling materials. The primary focus of the Company's waste management approach is to reduce overall waste generation and ensure responsible disposal. The Company has established guidelines for the proper disposal of hazardous and electronic waste, collaborating with specialized third-party contractors for this purpose. To support waste reduction, the Company has implemented collection bins to encourage segregation and conducts staff awareness programs across its locations, aiming to achieve its waste management objectives.

## SUPPLIER VALUE CHAIN MANAGEMENT FOR SUSTAINABILITY

We collaborated with suppliers who prioritize sustainability. We encourage sustainable sourcing practices, such as selecting materials with lower environmental impact and supporting fair trade initiatives. We promote transparency throughout the supply chain to ensure ethical practices.

## TECHNOLOGY IMPROVEMENTS FOR SUSTAINABILITY

The Product Designed: Integrated sustainable design principles into our product development process. We consider the entire lifecycle of products, from raw material extraction to disposal. We strive for durability, recyclability, and the use of non-toxic materials. Encourage product reuse and repair, and explore innovative ways to reduce waste. One of the projects is to use recycled materials for non-standard/irrigation products which has been contributing largely. Further, we implement strategies to optimize inventory levels, reduce waste, and minimize obsolescence. Accurate demand forecasting, just-in-time principles, and collaboration with suppliers can help achieve inventory efficiency and minimize environmental impact.

## WORKFORCE MANAGEMENT FOR SUSTAINABILITY

We ensure fair labor practices and safe working conditions throughout the supply chain. We collaborate with suppliers to uphold human rights, promote diversity and inclusion. We also practice a zero tolerance policy on child labour and forced labour.

CIPLC educates and engages employees in sustainable practices, both at work and in their personal lives. We encourage initiatives like carpooling, waste reduction, and energy conservation. We recognize and reward employee contributions to sustainability efforts.

CIPLC actively engages with local communities to address their needs and contribute to sustainable development. We support local initiatives focused on environmental conservation, education, and social well-being. We collaborate with stakeholders to drive positive change.

We are planning to implement robust sustainability reporting practices to track our progress and communicate sustainability achievements.

The completion of tree planting in the factory premises in Yakkala signifies the successful implementation of a green initiative. The factory management has undertaken the task of planting trees within its premises, indicating their commitment to environmental sustainability and beautification of the surroundings.

Furthermore, the presence of trees enhances the aesthetic appeal of the factory premises, creating a more pleasant and welcoming atmosphere. Green spaces have been proven to have a positive impact on the well-being and productivity of individuals, promoting a sense of tranquility and reducing stress levels.

While the major part of the land area has been retained, consideration has been given to preserving the natural environment within the factory premises.

# KEY ORGANISATIONAL OUTCOMES MAP

| | | | |
|---|---|---|---|
| Financial | Revenue<br>**Rs. 4.3 Bn** | Profit after tax<br>**Rs.643 Mn** | Total asset base<br>**Rs.4.061 Bn** |
| Customer | **15%**<br>Dealer Base Growth | Quality Product and High Durability | Product range availability islandwide |
| Internal Operation | Bonuses and increments<br>**Rs.58.7 Mn** | Training hours<br>**1,310 hrs** | Technology enhancement at factory machines and IT infrastructure |
| Learning and Growth | Increase customer advocacy | Customer feedback and best practices adherence | Developing scalable processes |

# BOARD OF DIRECTORS

## G.S.N. Peiris

***Chairman***

Mr. Shamil Peiris has served on the Board of the Company since its inception. He was appointed as Chairman on 13th July 2013. He is also the Chairman of CF Insurance Brokers (Pvt) Ltd. and two other companies within the Group. He also serves on Boards of companies outside the Group. He possesses over 45 years of post-qualification management experience. He is a Fellow of the Institute of Chartered Accountants of Sri Lanka, Institute of Credit Management & Society of Certified Management Accounts of Sri Lanka, Chartered Institute of Management Accountants – UK. He is also a Chartered Global Management Accountant.

## E.H. Wijenaike

***Non-Executive Director***

Mr. Eranjith Wijenaike has served on the Board of the Company as a Non-Executive Director since its inception. He serves as a Non-Executive Director of Equity One Limited, Equity Two PLC, and is the Managing Director of Central Finance Company PLC.

## C.S.W. De Costa

***Non-Executive Director***

Mr. Sarath De Costa was the Former Consul General for Sri Lanka in Osaka, Japan. He was appointed to the Board of Colombo Dockyard PLC in 1993 and is the Chairman and Managing Director of the Amano and Tivoli Group of Companies, President, Imperial Trading Corporation, Japan and Director Ceylon Shipping Agency (Pte) Ltd, Singapore. He is also a Member of the Sri Lanka – Japan Business Cooperation Committee, and Life Member of the Japan Sri Lanka Technical Co-operation and a Member of the Sri Lanka Japan Friendship Society.

He was a Representative - Board of investment of Sri Lanka, Patron – Department of Neurosurgery Trust (National Hospital), Trustee – National Health Development Fund (Ministry of Health), Special Envoy/Advisor – Board of Investment of Sri Lanka, Member of the Advisory Committee – Ministry of Wild Life Resources Conservation and a Director of Industrial Development Board.

## A.K. Gunaratne

***Non-Executive Director***

Mr. Arjuna Gunaratne has served on the Board of the Company since 2006. He is also Deputy Managing Director of Central Finance Company PLC and serves on the Boards of several companies within the Group. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and of the Chartered Institute of Management Accounts of UK.

## I.S. Jayasinghe

***Independent Non-Executive Director***

Mrs. Indranee Jayasinghe is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow Member of the Institute of Certified Management Accountants of Sri Lanka. She holds a Masters Degree from the Harvard University, USA and a Post Graduate Diploma in State Enterprise & Economic Development from ISS, The Hague, Netherlands.

She was the Director General of the Public Enterprises Department of the Ministry of Finance and was also the CEO of Commercial Fund Management, a subsidiary of the Commercial Bank. Later she worked as senior tax advisor at KPMG, Chartered Accountants and is now a Partner of Jayasinghe & Company, Chartered Accountants.

Mrs. Jayasinghe has served on the Board of Directors of several Public & Private Sector Corporations and Companies.

## A. Hettiarachchy

***Independent Non-Executive Director***

Mr. Ariyawansa Hettiarachchy was appointed to the Board as an Independent Non-Executive Director on 1st July 2017. He is a Chartered Engineer, a Member of the Institutions of Electrical Engineers and a member of the Institution of Chemical Engineers. He is a Director of Sri Lanka Institute of Nanotechnology and provides guidance to the Engineering division. He serves on the Board of Lankem Ceylon PLC and on the Board of several other subsidiaries of the Company. He is also the Chairman of the Board of ISL Services Limited.

He has served on the Board of Hayleys PLC and functioned as Managing Director of Haycarb PLC, Recogen Limited and Puritas Limited.

Mr.Hettiarachchy has also served on the Boards of several other subsidiaries of Haycarb PLC and Hayleys PLC both in Sri Lanka and overseas. He was also a Board Member of the Coconut Research Institute and National Science Foundation (NSF). A member of the National Nanotechnology Committee and a member of several advisory Boards of the NSF. Mr. Hettiarachchy possesses expertise in the fields of Process Design, Installation and Commissioning of petrochemical and other process plants, Mechanical Engineering, Thermal and Electrical Energy Generation and Storage, and Nanotechnology.

## C.S. Hettiarachchi

***Non-Executive Director***

Mr. C.S. Hettiarachchi was appointed to the Board on 30th June 2018. He is the Director - Corporate Affairs of Central Finance Company PLC and serves as a Director on five other companies within the Group. He holds a Bachelor of Laws (LL.B) Degree from the University of Colombo and an MBA from University of Sri Jayewardenepura (PIM). He is an Attorney-at-Law of the Supreme Court of Sri Lanka. He is the immediate past Chairman of Leasing Association of Sri Lanka (LASL) and served as a Director of Credit Information Bureau of Sri Lanka (CRIB).

## D.T.R. De Silva

***Independent Non-Executive Director***

Mr. Ranil de Silva served as the Jt. Managing Director of Aitken Spence Hotels and Managing Director of the Hemas Hotel Sector. Having commenced his career at Ernst & Young, he has wide experience locally and internationally in diverse industries. He is a Chartered Accountant of Sri Lanka and a member of the Chartered Institute of Management Accountants of UK and the Chartered Institute of Marketing, UK. He also serves as an Independent Director of Singer Finance PLC, Hayleys Leisure PLC, The Autodrome PLC, Lanka Shipping & Logistics (Pvt) Ltd and Alpha Fire Services PLC.

## I.M.P. Rupatunge

***Executive Director***

Mr. Mayura Rupatunge, CEO of Central Industries PLC, has been appointed to the Director Board on August 11, 2020. He joined Central Industries PLC as General Manager in 2016 and has been with the Company since then.

Mr. Rupatunge has extensive manufacturing experience, having worked in the industry for 25 years. He graduated from the Faculty of Engineering, University of Peradeniya, and holds postgraduate qualifications from the Faculty of Graduate Studies, University of Colombo. Also, he is a member of the Institute of Certified Management Accountant (ICMA) Australia and is professionally and academically qualified in the fields of Manufacturing, and Management including Finance and Administration.

# CORPORATE GOVERNANCE

The Board of Directors of the Company believes good corporate governance is the cornerstone of strong business performance. Corporate governance policies and practices of the Company have been designed to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. We continuously review and find ways to improve our Board's effectiveness in this regard.

The Board is committed to ensure that it complies with the specific requirements under the rules set out in Section 7.10 of the Colombo Stock Exchange's Listing Rules. The table on pages 63 to 65 set out the manner of compliance with these rules. The Board also recognizes the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission as useful guidance in improving corporate governance.

## BOARD OF DIRECTORS

The Board consisted of the Non-Executive Chairman, Seven Non-Executive Directors and One Executive Director as at 31st March 2023. The names and profiles of the Directors are given on pages 122 to 123.

Mr. A. Hettiarachchy, Ms. I.S. Jayasinghe and Mr. D.T.R. De Silva are Independent Non-Executive Directors.

The Board met once in a calendar quarter. Details of the meeting and individual attendance are given below.

| Member | No. of Meetings |
|---|---|
| Mr. G.S.N. Peiris | 4 |
| Mr. E.H. Wijenake | 2 |
| Mr. C.S.W. De Costa | 4 |
| Mr. A.K. Gunaratne | 4 |
| Ms. I.S. Jayasinghe | 4 |
| Mr. A. Hettiarachchy | 4 |
| Mr. C.S. Hettiarachchi | 3 |
| Mr. D.T.R. De Silva | 3 |
| Mr. I.M.P. Rupatunge | 4 |

## AUDIT COMMITTEE

The Audit Committee comprises four Non-Executive Directors, namely:

**Mr. A. Hettiarachchy (Chairman of the Committee)**
Independent Non-Executive Director

**Mr. A.K. Gunaratne**
Non-Executive Director

**Mr. D.T.R. de Silva**
Independent Non-Executive Director

**Ms. I.S. Jayasinghe**
Independent Non-Executive Director

The head of Internal Audit Manager functions as the Secretary to the Committee. The Chief Executive Officer and the Manager – Finance are invitees to the meetings of the Audit Committee. The Committee is empowered to examine any matter relating to the financial affairs of the Company and its internal and external audits. Its duties include detailed reviews of the financial statements, internal control procedures, accounting policies, compliance with accounting standards, emerging accounting issues and such other related functions as the Board may require. It also recommends the appointment and fees of the external auditors. It also keeps under review the independence and objectivity of the external auditors. The detailed Audit Committee Report including the areas reviewed during the financial year 2022/23 is given on pages 81 to 82 of the Annual Report.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises five Non-Executive Directors three of whom are independent.

**Mr. G.S.N. Peiris (Chairman of the Committee)**
Non-Executive Director

**Mr. A.K. Gunaratne**
Non-Executive Director

**Mr. D.T.R. de Silva**
Independent Non-Executive Director

**Mr. A. Hettiarachchy**
Independent Non-Executive Director

**Ms. I.S. Jayasinghe**
Independent Non-Executive Director

The Chief Executive Officer of the Company assists the Committee, except when his own remuneration package is deliberated. The Report of the Remuneration Committee is given on page 83 of the Annual Report.

## COMPLIANCE WITH COLOMBO STOCK EXCHANGE RULES ON RELATED PARTY TRANSACTIONS

The Related Party Transaction Review committee comprises the following persons:

**Ms. I.S. Jayasinghe (Chairperson of the Committee)**
Independent Non-Executive Director

**Mr. A.K. Gunaratne**
Non-Executive Director

**Mr. D.T.R. de Silva**
Independent Non-Executive Director

**Mr. A. Hettiarachchy**
Independent Non-Executive Director

The Manager - Finance functions as the Secretary to the Committee.

The Report of the Related Party Transaction Review Committee is given on page 84.

The Board of Directors declares that the Company has complied with the requirements of the Colombo Stock Exchange Rules on Related Party Transactions.

## COMPLIANCE WITH COLOMBO STOCK EXCHANGE RULES ON CORPORATE GOVERNANCE

The table below sets out the relevant Colombo Stock Exchange Rules on Corporate Governance and the manner in which the Company complies with them.

| Rule No | Subject | Applicable Requirement | Compliance Status | Details of Compliance |
|---|---|---|---|---|
| 7.10.1(a) | Composition of the Board | The Board shall comprise of at least two Non-Executive Directors (NEDs) or one third of the total number of Directors as NEDs, whichever is higher. | Complied | Eight Directors are Non-Executive Directors |
| 7.10.2(a) | Composition of Independent Directors | Minimum of two Directors or one third of the NEDs, whichever is higher, should be independent. | Complied | Three of the Eight Non-Executive Directors are independent |
| 7.10.2(b) | Declaration of Independence/ None Independence | Each Non-Executive Director to submit a signed and dated declaration annually of his/ her independence / non-independence against the specified criteria. | Complied | All Non-Executive Directors have submitted the Declaration of Independence / Non-independence |
| 7.10.3(a) | Disclosure relating to Directors | The names of Directors who are deemed to be independent as per the criteria to be disclosed in the Annual Report. | Complied | Disclosed on page 88. |
| 7.10.3(b) | Determination on Independence | The Board shall specify if the criteria for independence is not met by a Director and the basis for its determination in the Annual Report. | All independent Non-Executive Directors meet the criteria. | |
| 7.10.3(c) | Disclosure relating to Directors | A brief resume of the Director which includes the nature of his/her expertise in relevant functional areas. | Complied | Disclosed on pages 60 to 61. |
| 7.10.3(d) | The new appointment of Directors | A brief resume of the newly appointed Directors should be provided to the CSE for dissemination to the public | Complied | The Company has furnished to CSE a brief resume of a newly appointed director for dissemination to the public. |
| 7.10.5 | Remuneration Committee | A listed company shall have a Remuneration Committee. | Complied | Disclosed on page 62. |
| 7.10.5(a) | Composition of the Remuneration Committee | The Remuneration Committee shall comprise of Non-Executive Directors a majority of whom can be independent.<br><br>One Non-Executive Director shall be appointed as Chairman of the committee by the Board of Directors. | Complied<br><br>Complied | The Committee comprises five Non-Executive Directors, three of whom are independent.<br><br>The Chairman of the committee is Non-Executive Director. |

# CORPORATE GOVERNANCE

| Rule No | Subject | Applicable Requirement | Compliance Status | Details of Compliance |
|---|---|---|---|---|
| 7.10.5(b) | Functions of the Remuneration Committee | The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors. | Complied | The Committee recommends the remuneration of the Chief Executive Officer / Executive Director |
| 7.10.5(c) | Disclosure in the Annual Report relating to the Remuneration Committee | The Annual Report should set out:<br><br>a) Names of Directors comprising the Remuneration Committee | Complied | Disclosed on page 83 |
| | | b) Statement of Remuneration Policy. | Complied | Disclosed on page 83 |
| | | c) Aggregate remuneration paid to Executive & Non-Executive Directors | Complied | Disclosed on page 90 |
| 7.10.6 | Audit Committee | The Company shall have an Audit Committee. | Complied | Disclosed on page 62 |
| 7.10.6(a) | Composition of the Audit Committee | Shall comprise of Non-Executive Directors a majority of whom shall be independent. | Complied | The committee comprises four Non-Executive Directors, three of whom are independent. |
| | | Chief Executive Officer and the Chief Financial Officer should attend Audit Committee meetings. | Complied | The Chief Executive Officer and the Manager-Finance attend Audit Committee meetings. |
| | | The Chairman of the Audit Committee or one member should be a member of a professional accounting body. | Complied | Three members of the Committee are members of professional accounting bodies. |
| 7.10.6(b) | Audit Committee Functions | Should be as outlined in the listing rules | Complied | Disclosed on page 81 |
| 7.10.6(c) | Disclosure in the Annual Report relating to the Audit Committee | a) Names of Directors comprising the Audit Committee. | Complied | Disclosed on page 81 |
| | | b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. | Complied | Disclosed on pages 81 to 82 |
| | | c) The Annual Report shall contain a report of the Audit Committee setting out the manner of compliance by the Company. | Complied | Disclosed on pages 81 to 82 |
| 7.14.1(a) | Minimum Public Holding | Minimum no of public shareholders | Complied | Disclosed on pages 159 to 160 |
| | | Minimum percentage of public shares holdings | Complied | Disclosed on pages 159 to 160 |
| 9.2.1 | Related Party Transaction Review Committee (RPTRC) | Reviewing of Related Party Transactions (RPT) except transaction mentioned under rule 9.5 should be carried out by the committee prior to entering/completion of the transaction | Complied | Disclosed on pages 139 to 140 |
| 9.2.2 | Composition of the RPTRC | Shall comprise of Non-Executive Directors and Independent Non-Executive Directors at the option of the Company and the Chairman of the RPTRC shall be an Independent Non-Executive Director (INED). | Complied | There are five Non-Executive Directors of whom three are independent.<br><br>The Chairman is an INED. |
| 9.2.4 | Frequency of Meeting | The Committee shall meet at least once a calendar quarter. The Committee shall ensure that the minutes of the all meetings are properly documented and communicated to the Board of Directors. | Complied | Disclosed on page 84 |

| Rule No | Subject | Applicable Requirement | Compliance Status | Details of Compliance |
|---|---|---|---|---|
| 9.3.1 | Immediate disclosure | Any non-recurrent Related Party Transaction with a value exceeding 10% of the Equity or 5% of the total assets, whichever is lower, or if the aggregate value of all non-recurrent Related Party Transactions entered into with the same related party during the same financial year amounts to 10% of the equity or 5% of the total assets of the equity as per the latest Audited Financial Statements.<br><br>Any subsequent non-recurrent transaction after it exceed 5% of equity entered with the same related party | Complied | No transactions arose during the financial year which required immediate disclosure. |
| 9.3.2 | Disclosure in the Annual Report | a. Non-recurrent related party transactions | Compliant | Disclosed on pages 139 to 140 |
| | | b. Recurrent related party transactions | | Disclosed on pages 139 to 140 |
| | | c. Report of the RPTRC | | Disclosed on page 84 |
| | | d. An affirmative Statement by the Directors that they are in compliance with the rules pertaining to RPT | | Disclosed on page 84 |

## CODE OF BEST PRACTICES ON CORPORATE GOVERNANCE ISSUED BY THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| A.1.1 | The Board | The Board meeting should be held at least once in every quarter of the financial year, and the information provided should be structured and regularly, recommend monthly. In addition, the regularity of meeting should be agreed and documented. | Complied | The Board has met four times during the year and once in every quarter. The structured documents have been handed over to them on or before seven working days page 62. |
| A.1.2 | Entrepreneurial leadership | The Board's role is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls which enables risks to be assessed and managed. | Complied | The Board has established sub Committees and appointed the Chief Executive Officer to operate the guidance and opinion to drive the Company objectives and provide leadership. |
| A.1.3 | Compliance with laws of the country | The Board collectively, and Directors individually, must act in accordance with the laws of the country and wherein Directors can obtain independent professional advice under Company expenditure. | Complied | The Board evaluates at regular intervals, the compliance reports which have been designed to provide status of the compliances. |
| A.1.4 | Secretary to the Board & Company | All the Directors should have access to the advice and services of the Company Sectetary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with | Complied | All of the Directors have un-restricted access to the Company Secretary and the secretary acts as the secretary to the Board as well. All the new rules and regulations updates are informed to the Board. |

# CORPORATE GOVERNANCE

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| A.1.5 | Independent judgment | All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business. | Complied | All the Directors are free to express their opinion and the decision when they perform their duties and responsibilities. The Chairman has confirmed in his review. |
| A.1.6 | Adequate time & effort | Every Director should dedicate adequate time & effort to matters of the Board and the Company, to ensure that the duties and responsibilities owned to the Company are satisfactory discharged. | Complied | All the Directors have been represented to allocated committees and perform their duties in the best interest of the Company. |
| A.1.7 | Resolution to be presented to the board | One third of Directors can call for a resolution to be presented to the Board where they feel it is in the best interest of the Company to do so. | Complied | All the resolutions are called for the Board and approval obtained as per the guidance provided. |
| A.1.8 | Adequate training to new & existing directors | Directors should receive appropriate training when initially appointed & for the existing Directors where necessary. | Complied | All the respective experiences and assistance will be provided for the initial appointed Directors and the existing Directors. |
| **A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)** | | | | |
| A.2 | Separate division of responsibilities | There are two tasks at the top of every public company - conducting of the business of the Board, and facilitating executive responsibilities for management of the Company's business. There should be a clear division of responsibilities at the head of the Company. | Complied | Two separated positions, Chairman & CEO, have been appointed to separate the responsibilities. |
| **A.3 CHAIRMAN'S ROLE** | | | | |
| A.3 | Role of Chairman | The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions. | Complied | In the Annual Report which has been stated in the Chairman's Message, practice of corporate governance and the operation with complete of compliances and the performance of the Chairman's through the instruction. |
| **A.4. FINANCIAL ACUMEN** | | | | |
| A.4 | Financial acumen & knowledge | The Board should ensure the availability within it, of those with sufficient financial acumen and knowledge to offer guidance on matters of finance. | Complied | Four Chartered Accountants (ICASL) have been appointed to the Board. |
| **A.5 BOARD BALANCE** | | | | |
| A.5 | Executive & Non-Executive Directors | It is preferable for the Board to have a balance of Executive & Non-Executive Directors. | Complied | One executive and eight Non-Executive Directors represent the Board. |
| A.5.1 | Non-Executive Directors | The Board should include Non-Executive Directors of sufficient calibre and number for their views to carry significant weight in the Board's decision. | Complied | Eight Non-Executive Directors have been appointed to the Board. |
| A.5.2 | Independent Non-Executive Directors | Minimum three Directors or one third of Directors, whichever is higher, should be "Independent". | Complied | Three Directors out of nine Directors are independent. |

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| A.5.3 | Criteria to evaluate independence of Non-Executive Directors | For a Director to be deemed 'independent' such Director should be independent of management and free of any business or other relationship. | Complied | All the Directors, who are independent, declare their relationships with the Company in order to prove their independency and provide the independency report. |
| A.5.4 | Annual Declaration of Independence | Each Non-Executive Director should submit a signed and dated declaration annually of his/ her independence or Non-Independence. | Complied | Each Non-Executive Director has submitted the annual declaration stating their independence. |
| A.5.5 | Determination of Independence of the Board | The Board should make a determination annually as to the independence or non-independence of each Non-Executive Director based on such a declaration made of deciding criteria and other information available to the Board. | Complied | All the annual independence declarations have been approved & authorized by the Chairman. |
| A.5.10 | Recording of Concern in Board Minutes | Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes. | Complied | Secretary documents all the concerns on the Board minutes. |
| **A.6. SUPPLY OF INFORMATION** | | | | |
| A.6.1 | Obligation of management to provide information to Board | Management has an obligation to provide the Board with appropriate and timely information but information volunteered by management may not be enough in all circumstances and Directors should make further inquiries where necessary. | Complied | Management has provided all the respective information as the Board has requested on the agreed due dates. |
| A.6.1 | Time frame of supply of information for Board meetings | The agenda and papers required for a Board meeting should be provided to the Directors at least seven days before the meeting and the Minutes should be provided at least two weeks before. | Complied | As complied, the respective documents and information have been submitted to the members of the Board on or before the required date as compliance. |
| **A.9. APPRAISAL OF BOARD PERFORMANCE** | | | | |
| A.9.1 & 2 | Annual performance evaluation of the Board and its Committees | The Board should have in place formal & rigorous process for annually reviewing the performance of the Board and its committees. | Complied | At the has been evaluate the all the committee performance at the end of the year which is represent in the committee reports and the Chairman's Message. |
| A.9.3 | Process to review the Directors at the time of re-election | The Board should have a process to review the participation, contribution and engagement of each Director at the time of re-election. | Complied | All the respective Directors participate in the re-election and contribution. |

# CORPORATE GOVERNANCE

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| **A.10. DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS** | | | | |
| A.10.1 | Disclosure of the Directors' information | The Annual Report of the Company should set out the following information in relation to each Director:<br>- Name, qualification & brief profile.<br>- Nature of function, status of independence<br>- Directorships held with other companies<br>- Relationships and relatives connections<br>- Number & percentage of participations to the committees | Complied | Brief profile has been included in the Annual Report which consist of respective information, composition of committees and participation for which, related party disclosure and other respective details. |
| **A.11. APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO)** | | | | |
| A.11.1 | Performance Target to CEO | The Board in consultation with the CEO, should set, in line with the short, medium and long-term objectives of the company, reasonable financial & non-financial targets. | Complied | At the beginning of the year, the Board set a meeting to provide the financial & non-financial target for the forthcoming periods. |
| A.11.2 | Evaluate the Performanc of CEO | The performance of the CEO should be evaluated by the Board at the end of each fiscal year to ascertain whether the targets set by the Board have been achieved. | Complied | At the end of the financial year & quarter, the Board has evaluated the performance & targets which have been set at the beginning of the year. |
| **B.1. REMUNERATION PROCEDURE** | | | | |
| B.1.1 | Establishment of a Remuneration Committee | To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, with agreed terms of reference. | Complied | The Remmuneration Committee has been formalized and functions actively to fulfill its objectives. |
| B.1.2 | Composition of Remeneration Committee | Remuneration Committee should consist exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom the majority should be independent. | Complied | The existing Remuneration Committee compromised five Non-Executive Directors, three of whom are Independent. |
| B.1.3 | Chairman & the members of the Remuneration Committee | Chairman & the members of the Remuneration Committee should be listed in the Annual Report each year. | Complied | In the Annual Report, there is a comprehensive report presenting the whole objectives and other information. |
| B.1.4 | Determination of Remuneration of the Non-Executive Directors | The Board as a whole, or where required by the articles of Association, the shareholders should determine the remuneration of Non-Executive Directors, including members of the Remuneration Committee. | Complied | During the Annual General Meeting, approval for the remunerations of the Non-Executive Directors is taken which are within the parameters of the articles of association. |
| B.1.5 | Consultation of the Chairman and access to professinals | The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other executive Directors who have the access to external professionals. | Complied | The committee meet the Chairman to discuss its proposal and have direction to hire external professionals where necessary. |

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| **B.2 THE LEVEL AND MAKE UP OF REMUNERATION** | | | | |
| B.2.1 | Level & makeup of the remuneration packages of Executive Directors | The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required. | Complied | The Board is mindful of the fact that the remuneration of Executive Directors should reflect the market expectation & is sufficient enough to attract, remain and motivate. |
| B.2.2 | Executive Directors' Remuneration | Executive Directors' remuneration should be designed to promote the long-term success of the Company. | Complied | The Remuneration Committee has realized the prominence of the CEO and has remitted attractive package. |
| B.2.3 | Competitiveness of levels of remuneration | The Remuneration Committee should judge where to position levels of remuneration of the Company relative to other companies. | Complied | Since the Company has been offered competitive remuneration for the positions, the employees remain for longer periods. |
| **C. RELATIONS WITH SHAREHOLDERS** | | | | |
| **C.1 CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM) AND CONDUCT OF GENERAL MINUTES** | | | | |
| C.1.1. | Adequate notice of the AGM to Shareholders | The Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting. | Complied | The notice of the meeting of AGM and other respective notices have been posted to the shareholders on or before 14 working days before the AGM. |
| C.1.2. | Separate resolution for each seperated issues | Companies should propose a separate resolution at the AGM on each substantially separate issue and should in particular propose a resolution at the AGM relating to the adoption of the report and accounts. | Complied | At the AGM separate resolutions have been presented for each independent proposal. |
| C.1.3. | Use of proxy | The Company should ensure that all valid proxy appointment received for general meetings are properly recorded and counted. | Complied | The Company Secretary has properly recorded the received and monitor the which use for voting |
| C.1.4. | Availability of Chairmen and Sub committees at the AGM | The Chairman of the Board should arrange the Chairmen of the subcommittee present at the AGM to answer the queries arisen. | Complied | The Chairman & Chaimen of all Sub Committee required to presented at the AGM in order to resolve the matters arisen. |
| C.1.5. | Procedures of voting at AGM | Companies should circulate, along with every Notice of AGM, a summary of the procedures governing voting at the AGM. | Complied | List of procedures has been posted to the shareholders along with the notice of the meeting well prior to the AGM. |
| **C.2 COMMUNICATION WITH SHAREHOLDERS** | | | | |
| C.2.1 | Communication with Shareholders | There should be a channel to reach all shareholders of the Company in order to disseminate timely information. | Complied | The Company accesses & communicates with the shareholders through the Secretary, mainly AGM and prior to that will provide all the respective information. |
| C.2.2 | Disclose of Communication Methodology | The Company should disclose the policy and the methodology for communication with shareholders. | Complied | Secretary discloses the policy and the methodology of communication at the AGM. |

# CORPORATE GOVERNANCE

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| C.2.4 | Contact Person for communication | The Company should disclose the contact person for such communicaton. | Complied | Details of the Contact has been disclosed on every corresponding document. |
| **D.1 FINANCIAL AND BUSINESS REPORTING (THE ANNUAL REPORT)** | | | | |
| D.1.1 & 2 | Responsibility of the Board to present financial reporting | The Board should present an annual report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations. | Complied | As per the compliance of the respective rules & regulations, the Board has presented all the financial statements which were prepared according to the rules and regulations, where these have to be submitted and presented. |
| D.1.3 | Board approval for the financial statements | The Board should, before it approves the Company's financial statements for a financial period, obtain from its Chief Executive Officer and Chief Financial Officer. | Complied | Head of Finance has to sign the financial statements and Chief Executive Officer presents the financial statements to the Board and the Board has ultimate responsibility to present the financial statements to respective institutes the public. |
| D.1.4 | Director Declarations | The Directors' Report which forms part of the Annual Report, should contain declarations. | Complied | The Directors have made all the respective declarations in the Director's Report. |
| D.1.5 | Board Statement of Responsibilities on the financial statements | The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presenting of financial statements together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a Report/Statement on Internal Control. | Complied | In the Annual Report, there is a separate segment which provides the comprehensive analysis of responsibilities with regards to the financial statement. |
| D.1.6 | Management Discussion & Analysis in Annual Report | The Annual Report should contain a "Management Discussion & Analysis" discussing, among other issues, such as,<br><br>Business Model<br><br>Risk Management<br><br>Industry structure & developments<br><br>Opportunity & threats<br><br>Governance<br><br>Internal control system & their adequacy<br><br>Financial performance etc. | Complied | A comprehensive discussion has been comprised in the Annual Report including respective particulars which have to be generally admitted in the report. |
| D.1.8 | Disclosure of Related Party Transactions in the Annual Report | The Board should adequately & accurately disclose the related party transactions in its Annual Report. | Complied | As per the SEC and SLAS requirments, all the transactions and its particulars have been reported and disclosed. The Related Party Committee report has been included and the separate discussion report has been stated in the Annual Report. |

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| **D.2 RISK MANAGEMENT AND INTERNAL CONTROL** | | | | |
| D.2.1 & 2 | Evaluate Risk Management & Internal Control System | The Company should monitor the Company's risk management & Internal Control system annually. Evaluating report should be included in the Annual Report including financial, operational & compliance controls. | Complied | The risk analysis already has been included in the Annual Report which represent all the risk areas affected. In addition, annually & when it needs, the internal controls system and risk management system are evaluated. |
| D.2.3 | Requirement of Internal Audit function | Companies should have an internal audit function. | Complied | The Internal Audit division has operated and executed the internal audit fuctions. |
| D.2.4 | Required evaluation of the Audit Committee | The Board should require the Audit Committee to ensure carrying out the reviews of the process and effectiveness of risk management and internal controls. | Complied | The Audit Committee report has been presented in the Annual Report in which it has evaluated the adequacy and effectiveness of the intenal risk management and internal control process. |
| **D.3 AUDIT COMMITTEE** | | | | |
| D.3.1 | Composition of Audit Committee | The Board should establish an Audit Committee exclusively of Non-Executive Directors with a minimum of three Non-Executive Directors of whom at least two should be independent. | Complied | As per the compliance, an Audit Committee has been established in which three members are independent Non-Executive Directors out of four members. |
| D.3.2 | Duties of the Audit Committee | The Audit Committee should have a written terms of reference, dealing clearly with its authority & duties. | Complied | There is written terms of reference available for guiding its authority and duties. |
| D.3.3 | Discharging its responsibilities | A separate section of the Annual Report should describe the work of the committee in discharging its responsibilities. | Complied | If there is any discharging it has been described in a separate section in the Annual Report. |
| **D.4. RELATED PARTY TRANSACTIONS REVIEW COMMITTEE** | | | | |
| D.4.1 | Define Related Party Transactions | A related party and related party transactions will be as defined in LKAS 24. | Complied | Related Party and Related Party Transactions have been clearly defined as per SLAS 24. |
| D.4.2 | Establishment of Related Party Transactions Committee | The Board should establish a Related Party Transaction Committee which should compromise at least three Non-Executive Directors of whom a majority should be independent. | Complied | The Related Party Transaction Committee has been established which comprehended four Non-Executive Directors from which three of them are independent |
| D.4.3 | Terms of Reference of Related Party Transactions | The Related Party Review Committee should have written terms of reference dealing clearly with its authority and duties which should be approved by the Board of Directors. | Complied | There are written term of reference which clearly state handling with its authority & duties. It should have been approved by the Board of Directors. |

# CORPORATE GOVERNANCE

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
|---|---|---|---|---|
| **D.5. CODE OF BUSINESS CONDUCT & ETHICS** | | | | |
| D.5.2 | Material & price sensitive analysis | The Company should have a process in place to ensure that material and price sensitive information is promptly identified and reported in accordance with the relevant regulations. | Complied | The sensitive information is properly identified and reported in the Annual Report. |
| D.5.3 | Policy and Disclosures on share purchase by Directors | The Company should establish a policy, process for monitoring and disclosure of shares purchased by any Director, Key Management Personnel or any other employee involved. | Complied | The Company Secretary keeps the share register. The Directors also declare in the Director declaration, all the share purchased are properly disclosed in the Annual Report. |
| D.5.4 | Affirmative Statement by the Chairman | The Chairman must affirm in the Company's Annual Report that a code of conduct and ethics has been introduced companywide and the procedure for disseminating monitoring and compliance with that code. | Complied | In the Chairman's Review, the affirmation has been given for the code of conduct and ethics and there is an expended monitoring process also applied. |
| **D.6 CORPORATE GOVERNANCE DISCLOSURES** | | | | |
| D.6.1 | Disclosure of Corporate Governance | The Directors should include in the Company's Annual Report a Corporate Governance Report setting out the manner and extent to which the Company has complied with the principles and provisions of this code. | Complied | In the Annual Report, a Corporate Governance report has been presented in which all the complied particulars are stated. |
| **E. INSTITUTIONAL INVESTORS** | | | | |
| **E.1 SHAREHOLDER VOTING** | | | | |
| E.1.1 | Communication with Shareholders | A listed company should conduct a regular and structured dialogue with shareholders based on a mutual understanding of objectives. Arising from such dialogue, the Chairman should ensure the view of shareholders are communicated to the Board as a whole. | Complied | Fair discussion with the shareholders is executed during the AGM. There is a channel any shareholder can reach the Chairman through the Secretary. |
| **F. OTHER INVESTORS** | | | | |
| F.1 | Investing / Divesting Decision | Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decision. | Complied | The individual investors are encouraged to invest directly in shares, and adequate information has been added to the Company website and published in SEC. |
| F.2 | Shareholder Voting | Individual shareholders should be encouraged to participate in General Meetings of companies and execise their voting right. | Complied | Individual shareholders are encouraged to particitipate in the AGM and receive their rights of voting. |

| Section | Subject | Applicable Requirement | Status of Compliance | Details of Compliance |
| --- | --- | --- | --- | --- |
| **G. INTERNET OF THINGS AND CYBERSECURITY** | | | | |
| G.1 | Internal and External IT devices connected to the Business Model | The Board should have a process to identify how in the organization's business model IT devices within and outside the organization can connect to the organization's network. | Complied | Connection of internal & external IT devices to the organization network has been allowed with necessary access controls and firewall to safeguard the integrity of information. |
| G.3 & 4 | Discussion on Cyber risk management Internal & External | The Board should allocate regular and adequate time on the Board meeting agenda for discussions about Cyber-Risk management with internal and external officers. | Complied | During the quarter Board meetings, sufficient time is allocated to scrutinize the Cyber- Risk. In addition, Evaluation Reports are from external parties. |

# RISK MANAGEMENT

**Central Industries PLC has an adequate risk management system and has built internal control systems that are commensurate with its scale and structure. These systems ensure strict compliance with applicable laws and regulations while safeguarding the Company's assets, preventing and detecting frauds and errors, maintaining accurate and complete accounting records and preparing reliable financial information. Central Industries PLC's structured risk management approach regularly monitors and evaluates potential risks to devise a way of mitigating them. The key objectives include,**

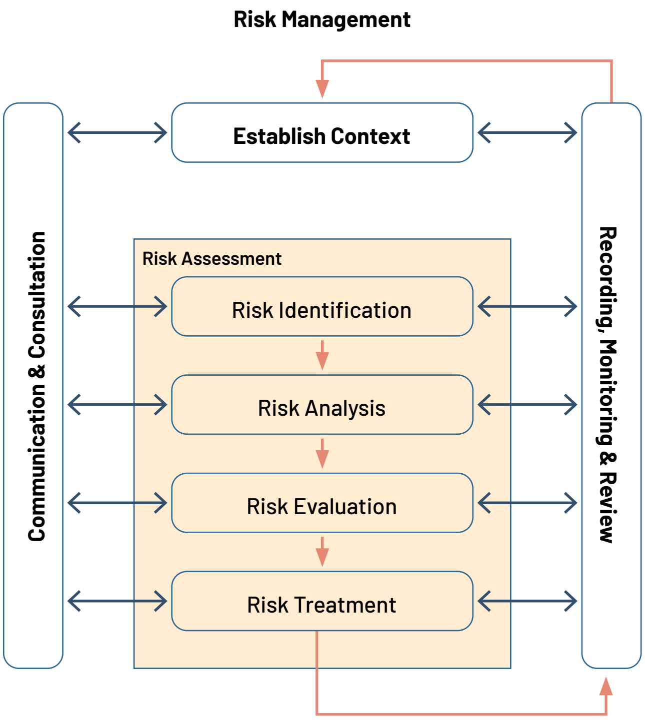
- Identification of the current and future material risk exposure of the Company to ensure they are appropriately mitigated, minimized and managed.
- Protecting brand values through strategic control and operational practices.
- Ensuring sustainable business growth with stability and promoting an upbeat approach towards risk management and mitigation.

The major steps in the risk framework include,

- Identification of risks under various categories like operational, financial, regulatory, technological and related to human resources.
- Assessment of risks in terms of severity of impact and likelihood of occurrence.
- Assignment of responsibilities
- Development of mitigation plans which create value for the business.
- Monitoring and reporting

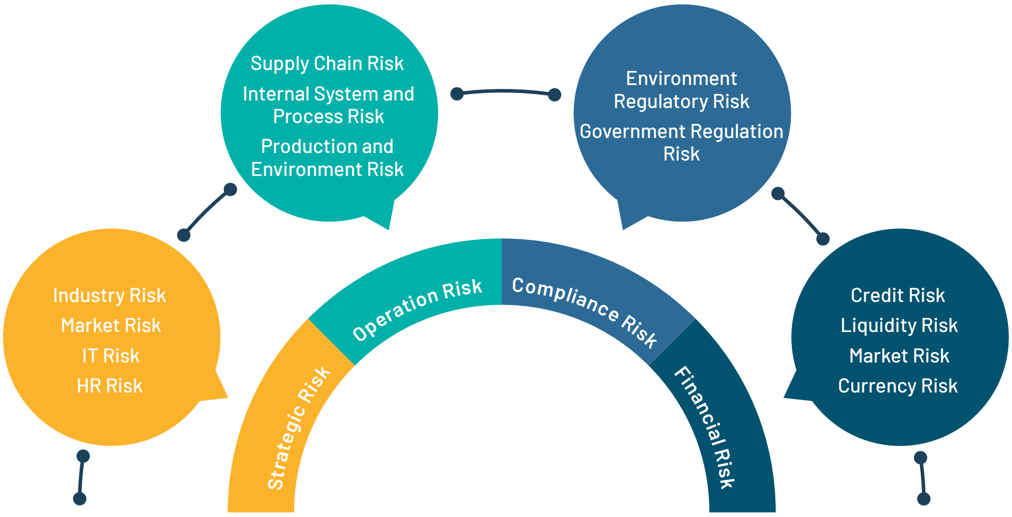
The Company has an established framework for identification of internal and external risks specifically faced by the Company in particular, including financial operations and information security risks to ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated a with the business of the Company.

## OUR RISK MANAGEMENT FRAMEWORK



## RISK UNIVERSE

The Risk Universe represents the key risks that the Company may be exposed to as a result of the environment in which it operates in. Those key risks impact on the Company's business model and ability to achieve its strategic objectives.

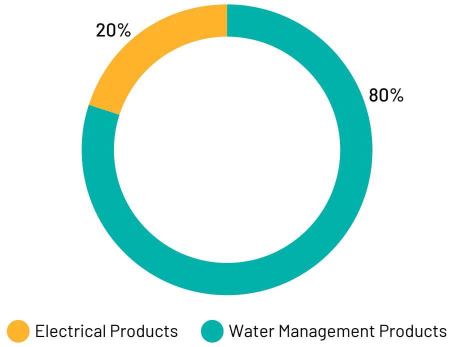



## STRATEGIC RISK

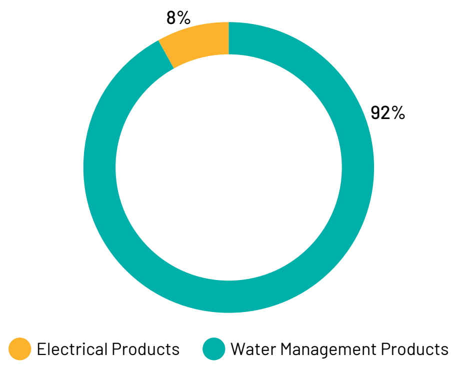
Strategic risk arises from failure to achieve strategic goals of the Company. Business and adopted after evaluating the overall risks associated with such strategies.

The Board has set targets to diversify the total revenue from PE and PVC to other revenues generated from Electrical Products.

**Revenue composition as at 31st March 2023**

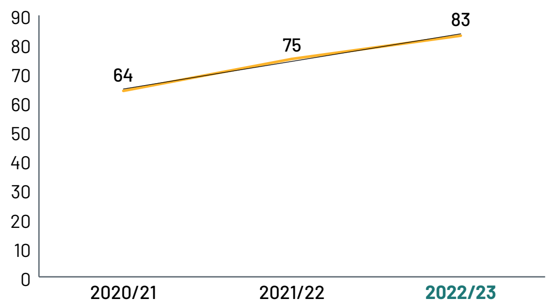



**Revenue Composition as at 31st March 2022**




The revenue composition has shifted from water management products to income generated from electrical products during the last financial year leading to a diversification of income sources of the revenue.

**Residence Period Trend** *(days)*



# RISK MANAGEMENT

Overall residence period reduced to 62 days in March 2023 compared to 73 days in March 2022 and it has improved considerably from 2022 April, reporting and reducing trend.

## MARKET RISK

Market risk is the risk arising from fluctuating market variables such as interest rates, foreign currencies shortage, foreign currency exchange rate and equity prices. The movements in interest rates risk, foreign currency shortage and exchange rates risks contribute to the most critical market risk categories for Central Industries PLC. Excessive movements in market risk indicators could bring severe volatility to the Company's gross profit.

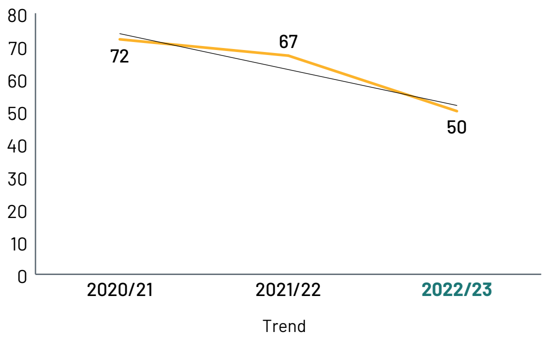
## CREDIT RISK

Credit risk is the potential loss Central Industries PLC would have to bear due to debtors failing to meet their obligations towards the Company.

A Board approved credit policy is in place to suit the business units. Special attention is given to credit risk management in terms of analyzing new distributors credit worthiness through a structured evaluation criteria before credit facilities are granted.

Credit limits are established for each customer which represents the maximum open amount without requiring further approvals from the Director/CEO. These limits are reviewed annually.

**Average Collection Period Movement During Last Three Years** *(days)*

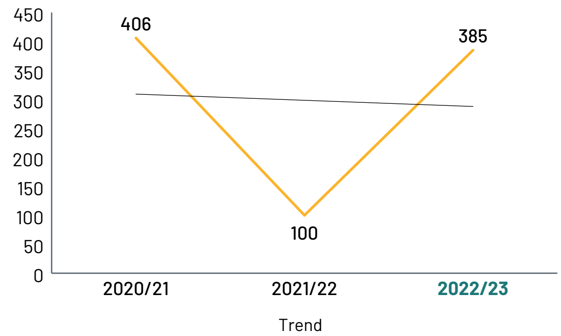



## LIQUIDITY RISK

Liquidity risk refers to the risk when the Company does not have sufficient financial resources to meet supplier payments and loan requirements without incurring excessive cost.

Central Industries PLC maintains a healthy cash flow with excess cash invested in Fixed Deposits and Unit Trusts through licensed commercial or development banks.

**Trend of Fixed Deposit and Unit Trust Investments at Banks** *(Rs. Mn)*



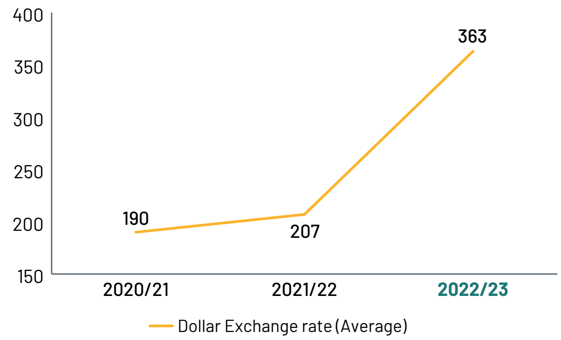

It indicates excess cash investments in financial instruments has increased in the last three years.

## FOREIGN CURRENCY RISK

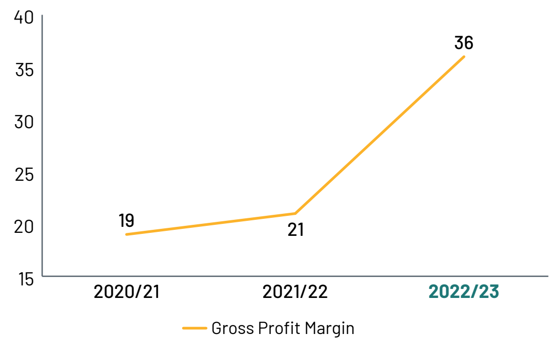
The foreign currency risk is the risk that the fair value of future cash flows of a financial instrument fluctuation due to changes in foreign exchange rates.

The Company managed the foreign currency risks changing the product price to safeguard the gross profit margin as far as the market conditions permit. The following graphs display the trend in the exchange rate and the resulting gross profit margin achieved.

**Dollar Exchange Rate**



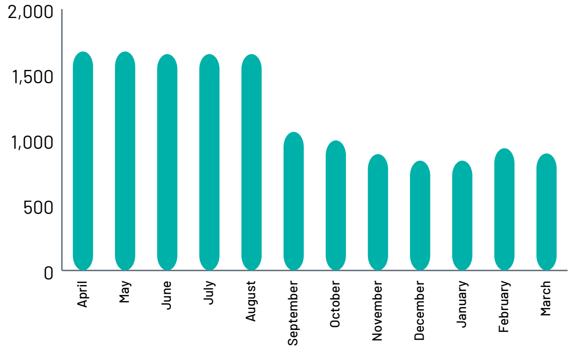

**Gross Profit Margin** *(%)*



## COMMODITY PRICE RISK

- The potential risk of the volatility in world resin raw materials prices.
- Frequent fluctuations raw materials in the world.
- Resin raw material prices impacted earnings in PVC pipe production.

Unit Price of USD for MT

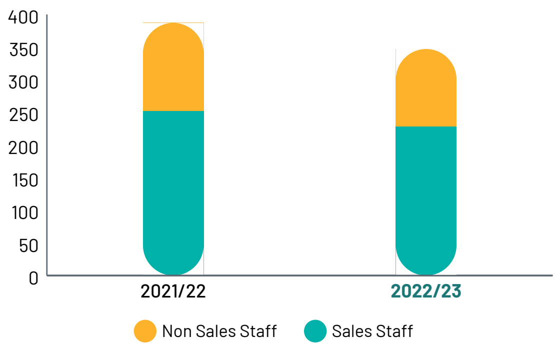



## HUMAN RESOURCES RISK

Being a manufacturing based company, its main processes evolved around people. Therefore, staff becomes the most important and most valuable asset of the Company. The Company's ability to attract, develop and retain the right number of appropriately skilled people is critical if we are to complete and grow effectively.

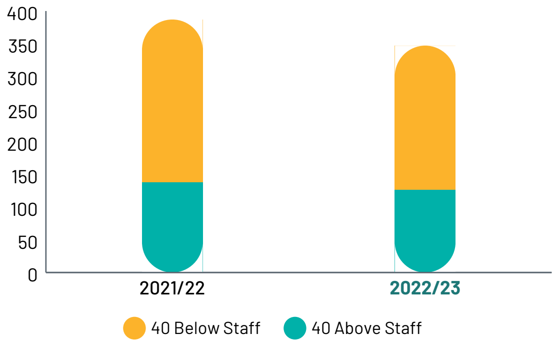
As the sales industry moves towards a technology based platform rather than face-to-face sales meetings it is essential that the sales leader has solid understanding of the product, marketing and industry insight which are essential competencies expected from the sales team.

Sales and Non Sales Staff




Failure to employ suitable personnel for relevant tasks, lack of proper performance recognition mechanisms and losses arising from misconduct of employees mainly give rise to people risk. Therefore, the Company ensures that adequate processes are in place to understand and respond to employee needs.

40 Above and 40 Below Staff




The staff recognition and rewarding are done through the annual performance appraisals. Further, the Company ensures adherence to minimum qualification based on the positions filled, pre-employment screening, employer feedback and exit interviews as mitigating activities of people's risk.

## INFORMATION TECHNOLOGY RISK

Technological risk arises due to the increasing complexity of cyber- attacks, obsolescence, unexpected breakdown of ICT systems and loss of sensitive and valuable information. These possibilities can have an adverse impact on the financial position and lead to Operational Risk to the Company. The Company's ICT risk rises with the increase of dependency on automated systems and processes.

### Action Taken by the Company to Manage the Technology Risk

1. Special attention has been given to the risk related to the possibility of cyber attacks.

2. Business continuity plans have been established to recognize the threats and risks that the Company faces.

## OPERATIONAL RISK

Operational risk is the potential losses caused by flawed or failed processes, policies, systems or events that disrupt business operations. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

Following indicators are the main operational risks that Central Industries PLC faces:

01) Non-availability of insurance coverage of raw material or finished goods and not renewed on the due date before expiry

02) Fraud, damages and misappropriation of assets

03) Non-responding for Customer Complaints

04) Electricity breakdown at the factories' operation

05) Non-availability of raw materials on time

06) Non-availability of skills/labour to operate machines on time

### Actions Taken by the Company to Manage the Operational Risk:

1. Reviewing and updating internal manuals and processes, conduct periodic monitoring & evaluation of internal controls.
2. Transferring insurable risk by obtaining insurance policies.
3. Maintaining four main raw materials suppliers.
4. Obtain labour force from two labour agencies.
5. Staff training programs for machinery operating requirements.
6. Assessing the adequacy and effectiveness of the insurance coverage periodically.
7. Business Continuity Planning (BCP).

## COMPLIANCE RISK

Compliance Risk is defined as the potential threat to earnings or business resulting from violations or infringement of laws, regulations or stipulated practices and standards within the Company, industry and Government. Failure to comply with laws and regulations could expose the Company to civil and/or criminal actions leading to damages, fines and regulatory sanctions and/or its employees with possible consequences for its corporate reputation.

The Company has established a compliance monitoring mechanism monthly headed by the Director/CEO.

Our compliance with key prudential requirements is given below:

| Key Prudential Requirements | Regulatory Requirement | Actual as at 31/03/2023 |
|---|---|---|
| Consumer Affairs Act No 9 of 2003 | • SLS Certification for uPVC Pressure fittings and Pipes<br>• Switches and Switches socket outlets<br>• PVC Solvent Cement | Complied |
| Consumer Affairs Act No 9 of 2003 | ISO Certifications ISO 9001 - Quality Management System | Complied |
| National Environment Act No 47 of 1980 | Environmental protection licence | Complied |

## MITIGATION ACTION

In order to mitigate and manage the Compliance Risk, we have established relevant Compliance Policies and Processes.

- Monthly review of applicable regulatory requirements by the management.
- Developing and adapting strategies on a continuous basis to meet the situation.

## SUMMARY OF KEY RISK CATEGORIES

| Risk Category | Risk Elements | Implication | Mitigation Measures | Risk Appetite Level 2021/22 | Risk Appetite Level 2022/23 | Risk Trending |
|---|---|---|---|---|---|---|
| Risk of Financial Capital | Interest Rate Risk | Interest rate fluctuations impacts on cost of financing | • The Company continuously monitors the changes against in the benchmark and controls the interest cost by using innovating financial products<br>• Effective working capital management | High | High | ⇧ |
| | Working Capital Risk | Non availability of funds affects the smooth operation of the Company and raw material stock also will affect production efficiency. | • Diligent and continuous monitoring and cash flow management<br>• Maintain liquid assets<br>• Arrangement of financial facilities | Medium | Medium | ⇧ |
| | Risk of Bad Debts | Settlement default by credit customers and increased bad debts and cost of funds due to delayed settlements | • Proper credit review of the credit limits and enhancement<br>• Periodic review of the management and implementation of corrective action<br>• Incentives for sales and collection teams focusing on timely collection | High | High | ⇧ |
| | Foreign Currency Risk | • Shortage of foreign currency in the Banking sector | • Obtained supplier credit facility on request by the banks for LC<br>• Build up a good relationship with international banks located in Sri Lanka.<br>• Obtained confirmation from international banks through local banks | High | High | ⇧ |
| | | • Losses arise due to deteriorating exchange rates | • Arrangement for early settlement when the rupee is appreciated | | | |
| Risk of Manufactural Capital | Risk of raw material price increase | Increase in raw material prices may impact on the Company's margins and negatively affect our profitability | • Frequent review of costs of production and revision of selling prices to protect margins<br>• Monitor trends and advancing or postponing purchase decisions | High | High | ⇧ |

# RISK MANAGEMENT

| Risk Category | Risk Elements | Implication | Mitigation Measures | Risk Appetite Level | | Risk Trending |
|---|---|---|---|---|---|---|
| | | | | 2021/22 | 2022/23 | |
| | Availability of raw materials | Risk of non-availability of the local and imported raw materials resulting in inability to meet the customer demand and consequent loss of market share | • Maintain good relationships with supplier network<br>• Pre-identify and register many suppliers<br>• Maintain adequate stocks | Medium | Medium | ⇧ |
| | Regulatory Risk | Non-compliance to stringent regulatory and environment norms may result in liabilities and loss of brand reputation | • The Company strictly complies with all structures applicable to its operations<br>• Maintaining trained staff members entrusted with regulatory responsibilities which are monitored and reported at the highest level | Medium | Medium | ⇧ |
| Risk of Human Capital | Shortage in skilled and non skilled labour | • Increase in production cost due to high production wastage<br>• Low quality products due to unskilled labour | • Developed and acquired trained manpower to run its operations<br>• Periodically reviews its senior managers team to ensure continuity in leadership<br>• HR policies to attract and retain the best talents and maintain attrition at low level | Medium | Medium | ⇧ |
| Risk of Intellectual Capital | Confidentiality of product formula and design | • Loss of competitive edge in product quality and design superiority | • All products and financial systems were in-house developed systems<br>• Good infrastructure controls and security for data and information storage<br>• Maintaining a motivated and loyal research and development team | Medium | Medium | ⇔ |
| Risk of Social and Relationship Capital | Loss of market share | • Loss of market share due to new entrants to the market and organized players | • Maintain the highest product quality standards<br>• Deeper and wider network of dealers<br>• Regular and prominent branding exercises<br>• Improved logistics network to increase reach of product | High | High | ⇧ |
| | Risk of having a few suppliers | Loss of major supplier affects the supply of critical raw material for manufacture | • Timely settlement of obligations<br>• Building a network of multiple suppliers | Medium | Medium | ⇔ |

# AUDIT COMMITTEE REPORT

The Board Audit Committee is a sub-committee of the Board of Directors chaired by an independent Non-Executive Director and comprising exclusively Non-Executive Directors to assist the Board in fulfilling its oversight responsibilities in relation to financial reporting, internal control and risk management system compliance with legal and regulatory requirements, internal audit, and external audit related affairs of the Company.

## AUDIT COMMITTEE COMPOSITION

The Audit Committee is comprised of four Non-Executive Directors of whom three are Independent Directors.

The following Board members represent the Audit Committee as at 31st March 2023:

| Member | Status |
|---|---|
| A. Hettiarachchy | Chairman IND/NED |
| A. K. Gunaratne | NED |
| I. S. Jayasinghe | IND/NED |
| D. T. R. de Silva | IND/NED |

*(IND - Independent Director, NED - Non-Executive Director)*

Brief Profiles of the members are given on pages xx and of the Annual Report under the Board of Directors. The Consultant - Internal Audit functions as Secretary to the Audit Committee.

## MEETINGS OF THE AUDIT COMMITTEE

The Audit Committee met four times during the year. The attendance of the members at Audit Committee Meetings was as follows:

| Member | Status | No of Meetings |
|---|---|---|
| A. Hettiarachchy | IND/NED | 4 |
| A. K. Gunaratne | NED | 4 |
| I. S. Jayasinghe | IND/NED | 4 |
| D. T. R. de Silva | IND/NED | 4 |

The Chairman, Chief Executive Officer and Manager-Finance, also attended these meetings by invitation as and when required. On the invitation of the Audit Committee, Company's External Auditor, M/s. KPMG (Chartered Accountants) attended two Audit Committee meetings during the year. Proceedings of the Audit Committee meetings are reported regularly to the Board of Directors.

## ROLE OF THE AUDIT COMMITTEE:

The Audit Committee assists the Board of Directors in fulfilling its responsibilities effectively relating to oversight over financial reporting, internal controls, and external and internal audit related affairs of the Company. The Committee has been empowered to:

- Examine internally any matter relating to the financial affairs of the Company.
- Review and follow up the work carried out by both Internal Auditors and External Auditors and follow up on findings and recommendations arising from thereon.
- Review risk management measures and examine the adequacy, efficiency, and effectiveness of the Internal Control System over financial reporting.
- Review accounting policies, emerging accounting issues and disclosures relating to Sri Lanka Accounting Standards (LKAS)/Sri Lanka Financial Reporting Standards (SLFRS).
- Review the compliance of financial reporting obligations under the Colombo Stock Exchange (CSE) listing rules, rules and regulations of Securities and Exchange Commission (SEC) and the Companies Act No.7 of 2007.
- Review and recommend Interim and Annual Financial Statements for approval of the Board and submission to shareholders.

Review the policy on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements, and guidelines.

## FINANCIAL REPORTING

The Committee assisted the Board of Directors to discharge its responsibility for the preparation of the quarterly and annual Financial Statements to reflect a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Companies Act No.7 of 2007, rules, and regulations of CSE and SEC.

The Committee reviewed the Company's interim and annual financial statements prior to submission to the Board and recommended their issue to shareholders.

The Audit Committee reviewed the internal controls on financial reporting system in place to ensure the reliability and integrity of information provided. Their view included the extent of compliance with LKAS/SLFRS and applicable laws and regulations, review of critical accounting policies and practices and any changes thereto, alternative accounting treatments, going concern assumptions major judgmental areas and material audit judgments.

# AUDIT COMMITTEE REPORT

## EXTERNAL AUDIT

The Audit Committee is empowered by the Board to recommend the appointment of the External Auditor in compliance with the relevant statutes issued by the CSE and the best practices of Corporate Governance and to agree on their audit fee, service period, and recommend the re-appointment or change of the External Auditor. The Committee was satisfied that there is no cause to compromise the independence and objectivity of the Auditor.

The Committee reviewed the effectiveness of the audit processes in accordance with applicable standards and best practices.

The external auditor's letter of engagement including the scope of the audit was reviewed and discussed by the Committee with the external auditors prior to commencement of the audit.

The annual financial statements 2022/23 were reviewed with the External Auditor and recommended for the approval of the Board. Their Management Letter and management's responses thereto were also reviewed.

The Committee also met with the External Auditor at a meeting without the presence of management to discuss whether there have been any irregularities, constraints, reservations, or any other unsatisfactory matters arising from the audit which the Auditor wished to discuss with the Audit Committee.

The Committee assisted the Board of Directors in engaging the External Auditor for non-audit services in compliance with the statutes and ensured that engagement in non-audit services does not impair the External Auditor's independence and objectivity.

## RISKS AND INTERNAL CONTROLS

The Audit Committee reviewed the Company operations and monitored the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial statements presents a true and fair view.

## INTERNAL AUDIT

During the year, the Audit Committee reviewed the adequacy of the scope, functions and resources of the internal audit division, the results of the internal audit process and their evaluation of the Company's internal control system. The Audit Committee also reviewed and approved the adequacy of coverage of the internal audit program.

## REGULATORY COMPLIANCE

The Audit Committee reviewed the information requirement of Companies Act No 07 of 2007, and other reporting requirements under SEC, CSE.

**A. Hettiarachchy**
*Chairman – Audit Committee*

24th May 2023

# REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee had been formed by the Board, conforming to the provisions of the Listing Rules of the Colombo Stock Exchange on Corporate Governance for a Listed Entity and the best practice on Corporate Governance.

## COMPOSITION

The Remuneration Committee comprised 05 Non-Executive Directors of the Company, three whom are independent.

| Member | Status |
|---|---|
| Mr. G.S.N. Peiris | Chairman/NED |
| Ms. I.S.Jayasinghe | IND/NED |
| Mr. A.Hettiarachchy | IND/NED |
| Mr. D.T.R. De Silva | IND/NED |
| Mr. A.K. Gunaratne | NED |

*(IND - Independent Director, NED - Non – Executive Director)*

The Chief Executive Officer of the Company assists the Committee by providing relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

## MEETINGS OF THE REMUNERATION COMMITTEE

The Committee met one time during the year. The attendance of the members at RMC was as follows:

| Member | Status | No of Meetings |
|---|---|---|
| Mr. G.S.N. Peiris | Chairman/NED | 1 |
| Ms. I.S. Jayasinghe | IND/NED | 1 |
| Mr. A. Hettiarachchy | IND/NED | 1 |
| Mr. D.T.R. De Silva | IND/NED | 1 |
| Mr. A.K. Gunaratne | NED | 1 |

The Director/Chief Executive Officer along with Manager Human Resources/Other Officer as necessary was available by invitation, to assist in the deliberations of the Committee.

## FUNCTIONS

The Committee continues to uphold the principles of accountability and transparency and ensures that the HR & Remuneration Policy demonstrates a clear link between reward and performance. The Committee is responsible for setting up the remuneration policy and determining the remuneration packages of the Key Management Personnel (D/CEO) and the Corporate Management and the Managerial Staff. The Committee reviews the remuneration structure periodically and evaluates it against industry norms to warrant fairness and internal & external equity.

The Committee reviews the Company's compensation structures from time to time to ensure alignment with strategic priorities and comparison with those offered by other similar entities.

The Committee assesses the performance of the staff including the Corporate Management level Officers vis-à-vis the given targets, for the year ended 31st March 2023, approve salary increments/salary revisions and Management level promotions. The Committee was called to consider the qualifications, experience and suitability of persons to fill a KMP position that fell vacant during the year and recommend the appointment to the Board. Further, the Committee discussed to consider and recommend the payment of an interim bonus to the staff for the year 2022/2023.

## REMUNERATION POLICY

The reward strategies and remuneration structure of the Company is designed to attract, motivate and retain suitably skilled and qualified staff, at all levels of the organizational hierarchy, in highly competitive environment reward their performance commensurate with each individual's commitment towards the organization. Accordingly, a key feature of the remuneration policy is to pay for performance. The policy is designed to recognize and reward individual contributions based on its impact on the performance of the Company and to generate human capital with the right mix of experience, skills and knowledge to route the business strategy.

On behalf of the Board Remuneration Committee

**G. S. N. Peiris**
*Chairman – Remuneration Committee*

24th May 2023

# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee comprises of three Independent Non-Executive Directors and one Non-Executive Director.

**Ms. I.S. Jayasinghe (Chairperson of the Committee)**
Independent Non-Executive Director

**Mr. A.K. Gunaratne**
Non-Executive Director

**Mr. A. Hettiarachchy**
Independent Non-Executive Director

**Mr. D.T.R. de Silva**
Independent Non-Executive Director

The Director/Chief Executive Officer as necessary was available by invitation, to assist in the deliberations of the Committee.

The Manager - Finance functions as the Secretary to the Committee.

## MEETINGS OF THE COMMITTEE

The Committee met four times during the financial year to review related party transactions and the proceedings of the committee meetings are reported to the Board. Details of individual member attendance is given below.

| Member | Status | No. of Meetings |
|---|---|---|
| Ms. I.S. Jayasinghe | INED | 4 |
| Mr. A.K. Gunaratne | NED | 4 |
| Mr. A. Hettiarachchy | INED | 4 |
| Mr. D.T.R. De Silva | INED | 4 |

The Committee ensured that the management has implemented a process to identify and report proposed transactions with related parties. The Committee obtained all required information on such transactions, including but not limited to other unaffiliated sources of comparable products or services and the terms offered by such parties, from the Director/CEO and senior managers of the Company.

Wherever required the Committee also could obtain advice from competent independent professionals in ascertaining the value of assets acquired from or disposed to related parties.

The Committee reviewed all recurrent and non-recurrent transactions and proposed transactions with related parties. During the period under review, there were no non-recurrent nor recurrent related party transactions that exceeded the threshold referred to in the Listing Rules of the Colombo Stock Exchange.

The Committee made recommendations to the Board wherever approval of the Board was required to proceed with such related party transactions and also set guidelines for the senior management to follow with regard to on-going related party transactions.

## DECLARATION BY THE BOARD OF DIRECTORS

During the year the Company did not have any related party transactions which required the approval of the shareholders or immediate market disclosure under the rules. The related party transactions are disclosed in Note 33 on pages 139 to 141 of the financial statements.

**I.S. Jayasinghe**
*Chairperson*
*Related Party Transactions Review Committee*

24th May 2023

# FINANCIAL STATEMENTS

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting to the Members their report together with the Audited Financial Statements of Central Industries PLC and the Group for the year ended 31st March 2023.

## REVIEW OF THE YEAR'S PERFORMANCE

The Chairman's Message and CEO's Review describes the Company's progress and highlights important events during the year.

## PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture and distribution of Pipes and Fittings for domestic and industrial use. The Company also manufactures and distributes Electrical Switches, Sockets and Accessories, and markets other products used in the construction industry. The wholly-owned subsidiary company Polymer Technologies (Pvt) Ltd. did not carry out any business activity during the year.

## PARENT ENTERPRISE

The Company's parent and ultimate parent enterprise is Central Finance Company PLC.

## MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31st March 2023 are given on page 160 together with an analysis of the shareholdings. As at that date the Company had 2,565 shareholders.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Company so that it reflects a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No. 07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

## FINANCIAL RESULTS

The financial statements of the Company and the Group are given on pages to .

| | Group | | Company | |
|---|---|---|---|---|
| | **2022/23** Rs.'000s | **2021/22** Rs.'000s | **2022/23** Rs.'000s | **2021/22** Rs.'000s |
| Revenue | **4,333,998** | 6,731,883 | **4,333,998** | 6,731,883 |
| Profit before tax for the year after providing for bad debts, depreciation of property, plant and equipment and all known liabilities | **773,043** | 675,638 | **776,418** | 675,489 |
| Provision for taxation | **(129,854)** | (173,544) | **(129,854)** | (173,497) |
| Profit for the year after taxation | **643,189** | 502,094 | **646,564** | 501,992 |

## DIVIDENDS

The Directors recommend the payment of a first and final dividend of Rs. 6/- per share for the year ended 31st March 2023. This will be paid out of the taxable profit of the Company. As required by Section 56(2) of the Companies Act No.7 of 2007, the Directors confirm that the Company satisfies the solvency test in terms of Section 57 of the Act and that the Company has obtained a certificate from the Auditors to this effect.

## TAXATION

The rate of corporate tax applicable to Central Industries PLC and its subsidiaries are 18%, 24% and 30%.

## PROPERTY, PLANT AND EQUIPMENT

The Group invested Rs. 99,624,886 in property, plant & equipment during the year. The movement in property, plant and equipment during the year is given in Note 13 to the Financial Statements. The movement in intangible assets during the year is given in Note 14 to the Financial Statements.

## PUBLIC HOLDINGS

Public Holding of the Company as at 31st March 2023 was 46.72% comprising 10,963,908 shares and a float adjusted market capitalization of Rs.924,226,770. In terms of the Rule 7.14.1.(a) of the listing rules of the Colombo Stock Exchange, the Company qualifies under option five of the minimum public holding requirement.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

## ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the requirements of the Company's Act No.07 of 2007 and Sri Lanka Accounting Standards applicable for the current accounting period and are consistent with the accounting policies adopted in the previous year.

## STATUTORY PAYMENTS

The Directors are satisfied that statutory payments due to the Government and in relation to the employees have been made in full and on time to the best of their knowledge and belief.

## EVENTS AFTER THE REPORTING PERIOD

There have been no material post balance sheet events which would require adjustment to, or disclosure other than as stated in Note 32 to the Financial Statements.

## DONATIONS

During the year, donations to charities of Rs 1,061,242/- were made by the Company.

## HUMAN RESOURCES

Employment policies of the Company are based on recruiting the best available people, training them to enhance their skills and offering equal career opportunities regardless of gender, race or religion. There were no issues pertaining to employees and industrial relations pertaining to the Company that occurred during the year under review requiring disclosure.

## STATED CAPITAL

The Stated Capital of the Company as at 31st March 2023 was Rs. 393,785,198/- and is represented by 23,466,490 ordinary shares.

## GOING CONCERN

The Directors continue to adopt the going concern basis in preparing the Financial Statements. The Directors, after making enquiries and following a review of the Company's budget for 2023/24, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

## BOARD OF DIRECTORS

The Directors of the Company as at 31st March 2023 were:

**Non-Executive Directors**

Mr. G.S.N. Peiris – Chairman

Mr. E.H. Wijenaike

Mr. A.K. Gunaratne

Mr. C.S.W. De Costa

Mr. C.S. Hettiarachchi

**Executive Director**

Mr. I.M.P. Rupatunge

**Independent Non-Executive Directors**

Ms. I.S. Jayasinghe

Mr. A. Hettiarachchy

Mr. D.T.R. de Silva

### Re-elections to the Board

Mr. A. Hettiarachchy has passed the age limit referred to in Section 210 of the Companies Act No.07 of 2007. His appointment as a Director of the Company requires the approval of a resolution of the Company in general meeting. A notice is duly given by the Company that in terms of Section 211 of the Companies Act No.07 of 2007, a resolution will be proposed that the age limit referred to in Section 210 of the Companies Act No.07 of 2007, shall not apply to Mr. A. Hettiarachchy who has reached the age of 74 years.

Ms. I.S. Jayasinghe has passed the age limit referred to in Section 210 of the Companies Act No.07 of 2007. Her appointment as a Director of the Company requires the approval of a resolution of the Company in general meeting. A notice is duly given by the Company that in terms of Section 211 of the Companies Act No.07 of 2007, a resolution will be proposed that the age limit referred to in Section 210 of the Companies Act No.07 of 2007, shall not apply to Ms. I.S. Jayasinghe who has reached the age of 75 years.

Mr. C.S.W. De Costa has passed the age limit referred to in Section 210 of the Companies Act No.07 of 2007. His appointment as a Director of the Company requires the approval of a resolution of the Company in general meeting. A notice is duly given by the Company that in terms of Section 211 of the Companies Act No.07 of 2007, a resolution will be proposed that the age limit referred to in Section 210 of the Companies Act No.07 of 2007, shall not apply to Mr. C.S.W. De Costa who has reached the age of 71 years.

In terms of Article 85 of the Articles of Association, Directors Mr. G.S.N. Peiris and Mr.D.T.R. De Silva are due to retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

## AUDITORS

The Financial Statements for the year have been audited by KPMG Chartered Accountants, who offer themselves for re-appointment.

The remuneration of the Auditors is disclosed in Note 9 to the consolidated financial statements.

In addition, the Auditors were paid Rs. 225,000/- for work not directly related with the audit of the financial statements, and consisted mainly of opinion expressed in relation to the solvency certificate required in the distribution of dividends of the Company.

As far as the Directors are aware the Auditors do not have any other relationship with the Company other than as disclosed above.

The retiring auditors have expressed their willingness to continue in office. A resolution to re-appoint them as auditors and authorizing the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

The Audit Committee reviewed the appointment of the auditors, their effectiveness and relationship with the Group including the level of audit and non-audit fees paid to the Auditor.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activities contravening laws and regulations. All officers responsible for ensuring compliance with the provisions of various laws and regulations confirm their compliance to the Board on a monthly basis.

## DIRECTORS' INTERESTS IN TRANSACTIONS

The Directors' interests in transactions with the Company are disclosed in the Interests Register and in Note 33 to the Financial Statements. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following related entities.

| Name of the Company and Relationship | Name of Directors | Position | Nature of Transactions |
|---|---|---|---|
| Central Finance Co. PLC (Parent Company) | Mr. E. H. Wijenaike<br>Mr. A. K. Gunaratne<br>Mr. C.S. Hettiarachchi | Managing Director<br>Deputy Managing Director<br>Director | Interest earned from short term deposits - Rs. 35,732/- (2021/22 – Rs. 25,072/-)<br>Dividend Paid - Rs. 47,999,140/- (2021/22 – Rs. 72,950,680/-)<br>Short term deposits as at 31st March 2023 – Rs. 592,415/- (2021/22 – Rs. 557,136/-) |
| CF Insurance Brokers (Pvt) Ltd. (Fellow Subsidiary) | Mr. G. S. N. Peiris<br>Mr. A. K. Gunaratne<br>Mr. C.S. Hettiarachchi | Chairman<br>Director<br>Director | The Company has paid total premia of Rs. 9.1 Mn (2021/22- Rs. 2.88 Mn.) to insurers during the year. CF Insurance Brokers (Pvt) Ltd is entitled to an agency/brokerage commission on such premia paid by the Company.<br>Dividend Paid - Rs. 6,223,515/- (2021/22 – Rs. 9,458,704/-) |
| Tivoli Plastics (Pvt.) Ltd. (An Enterprise owned by a Director) | Mr. C. S. W. De Costa | Director | Manufacture of PVC Fittings under agreement with the Company. The cost of services obtained during the year was Rs. 11.83 Mn (2021/22 - Rs.17.61 Mn.)<br>Dividend Paid - Rs. 3,386,220/- (2021/22 – Rs. 5,146,496/-) |
| Amano Construction (Pvt.) Ltd. (An Enterprise owned by a Director) | Mr. C. S. W. De Costa | Director | Building construction cost during the period - Rs. 55.2 Mn (2021/22 – Rs. 11.65 Mn).<br>Advances proceed for two material storage buildings - Rs. 105.2 Mn. |
| Central Industries Marketing (Pvt.) Ltd. (A wholly owned subsidiary) | Mr. I.M.P. Rupatunge<br>Mr. A.K. Gunaratne | Director<br>Director | Funds advanced by the subsidiary to Central Industries PLC, repayable on demand.<br>Amount due to the subsidiary – Nil. (2021/22- Rs. 5.32 Mn)<br>Rs. 69,124 /- has been paid as interest on the above funds during the year. (2021/22 – Rs. 260,794/-) |
| Polymer Technologies (Pvt) Ltd. (A wholly owned subsidiary) | Mr. I.M.P. Rupatunge<br>Mr.A.K. Gunaratne | Director<br>Director | Funds advanced by the subsidiary to Central Industries PLC, repayable on demand.<br>Amount due to the subsidiary – Rs 1.08 Mn (2021/22 – Rs. 1.07 Mn)<br>Rs. 105,183/- has been paid as interest on the above funds during the year. (2021/22 – Rs. 54,920/-) |
| CF Growth Fund Ltd. (Fellow Subsidiary) | Mr. A.K. Gunaratne | Director | Dividend Paid - Rs. 198,110/- (2021/22 – Rs. 301,552/-) |

# ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors had no direct or indirect interests in any other contract or proposed contract in relation to the business of the Company.

## INTERESTS REGISTER

The Interests Register is maintained by the Company as per the Companies Act No.07 of 2007.

## SHAREHOLDINGS OF DIRECTORS

| | No.of shares held as at | |
|---|---|---|
| | **31st March 2023** | **1st April 2022** |
| Mr. E.H. Wijenaike | 42,752 | 39,694 |
| Mr. G.S.N. Peiris | 6 | 6 |
| Mr. C.S.W. De Costa | - | - |
| Mr. A.K. Gunaratne | - | - |
| Mr. A. Hettiarachchy | - | - |
| Ms. I.S. Jayasinghe | - | - |
| Mr. C.S. Hettiarachchi | - | - |
| Mr. D.T.R. de Silva | - | - |
| Mr. I.M.P. Rupatunge | - | - |

The shareholdings of entities in which the Directors have controlling interest:

| | No.of shares held as at | |
|---|---|---|
| | **31st March 2023** | **1st April 2022** |
| Central Finance Company PLC | **10,339,414** | 9,599,828 |
| CF Insurance Brokers (Pvt.) Ltd. | **1,340,596** | 1,244,703 |
| CF Growth Fund Ltd. | **42,739** | 39,682 |
| Expanded Plastic Products Ltd. | **7,656** | 7,109 |
| Tivoli Lanka (Pvt) Ltd. | **729,419** | 677,244 |

During the year ended 31st March 2023;

Mr. E.H. Wijenaike, Mr. A.K. Gunaratne and Mr. C.S. Hettiarachchi were Directors of Central Finance Company PLC.

Mr. G.S.N. Peiris was Chairman of the CF Insurance Brokers (Pvt) Ltd

Mr. A.K. Gunaratne and Mr. C.S. Hettiarachchi were Directors of CF Insurance Brokers (Pvt.) Ltd. Mr. E.H. Wijenaike exercised significant control over CF Insurance Brokers (Pvt.) Ltd. through direct/indirect voting power.

Mr. A.K. Gunaratne was a Director of the CF Growth Fund Ltd.

Mr. E.H. Wijenaike exercised significant control over CF Growth Fund Ltd through direct/indirect voting power.

Mr. C.S.W. De Costa was a Director of Tivoli Lanka (Pvt.) Ltd.

## REMUNERATION OF DIRECTORS

Remuneration of the Directors is disclosed in Note 9 to the consolidated financial statements.

The aggregate remuneration received by the Directors during the year under review was:

| | **2022/23** | **2021/22** |
|---|---|---|
| | Rs. | Rs. |
| Executive Directors | 19,190,000 | 17,663,000 |
| Non-Executive Directors | 3,030,000 | 2,587,000 |

For and on behalf of the Board,

**G.S.N. Peiris**
*Chairman*

**I.M.P. Rupatunge**
*Director/CEO*

**Corporate Services (Pvt.) Ltd.**
*Secretaries*

Colombo
24th May 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement sets out the responsibilities of the Directors of the Company in the preparation of the Financial Statements of the Company. These differ from the responsibilities of the Auditors which are set out in their report appearing on page ... The Companies Act No. 07 of 2007 requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Profit or Loss of the Company for that financial year.

In preparing the Financial Statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevent and detect fraud and other irregularities.

By Order of the Board

**Corporate Services (Pvt) Limited**
*Secretaries*
Central Industries PLC

Colombo
24th May 2023

# INDEPENDENT AUDITORS' REPORT

KPMG

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

**To the Shareholders of Central Industries PLC**

**Report on the Audit of the Financial Statements**

## OPINION

We have audited the financial statements of Central Industries 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 31st March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 96 to 157 of this Annual Report.

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 31st 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**01. Recoverability of Trade Receivables**

**Refer to the significant account policy Note 3.3 and explanatory Note 17 to these financial statements**

| Risk Description | Our Response |
|---|---|
| The Group has trade receivables amounting to LKR 1,226 Mn.<br><br>There are inherent risks relating to customer's credit risk profile which varies due to the size of each customer and the industries that the customers operate in. The risk is whether the trade receivables are recoverable, and that adequate allowance has been made for doubtful receivables.<br><br>Impairment provision amounting to LKR 188 Mn was made for trade receivables of the Group as at the reporting date. Recoverability of trade/receivables and the judgements involved in determining the estimation of impairment provision were considered as a key focus area. | Our audit procedures included.<br><br>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key internal controls within the credit control and approval process.<br>• On a sample basis, assessing whether items in the trade debtors ageing report were classified within the appropriate ageing bucket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes.<br>• Assessing the appropriateness of the impairment on trade receivables based on 'expected credit loss' model as per SLFRS 09, with reference to historical payment trends and forward-looking scenarios.<br>• Assessing the adequacy of relevant disclosures included in the consolidated Financial Statements. |

02. Carrying Values of Inventories.

**Refer to the significant Accounting Policy 3.8 and explanatory Note 16 to these Financial Statements**

| Risk Description | Our Response |
| --- | --- |
| The Group carried inventories of Rs. 1,295 Mn as at 31 March 2023 at the lower of cost or net realizable value.<br><br>The Group has significant levels of inventory and judgment is exercised with regards to the categorization of stock as obsolete and or slow moving to be considered for provision; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive at valuation based on lower of cost and net realizable value.<br><br>As discussed in Note 3.8, Management judgment is applied in arriving at the cost of inventories in order to accurately reflect the manufacturing costs incurred in bringing them to their current condition and physical location.<br><br>Given the level of judgments and estimates involved, the carrying value of inventories is identified as a key audit matter. | Our audit procedures included,<br><br>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key internal control's management has established to manage inventories including the purchases, sales and holding of inventories.<br>• Assessing the valuation of the reporting date inventory levels, including assessing the reasonability of judgments taken regarding obsolescence.<br>• Evaluating the adequacy and consistency of provisioning for inventories at the reporting date with the Group's inventory provision policy<br>• On a sample basis, comparing the carrying amounts of the Group's inventories with net realization value of those inventories.<br>• 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.<br>• Assessing whether the accounting 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 |

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

# INDEPENDENT AUDITORS' REPORT

KPMG

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 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 Company and 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 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.

KPMG

## 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 2618.

**CHARTERED ACCOUNTANTS**
Colombo, Sri Lanka

24th May 2023

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the year ended 31st March | Note | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | | |
| Revenue | 6 | 4,333,998 | 6,731,883 | 4,333,998 | 6,731,883 |
| Cost of Sales | | (2,760,823) | (5,324,800) | (2,760,823) | (5,324,800) |
| Gross Profit | | 1,573,175 | 1,407,083 | 1,573,175 | 1,407,083 |
| Other Income | 7 | 4,699 | 2,239 | 8,052 | 2,239 |
| Selling and Distribution Expenses | | (308,459) | (245,390) | (308,459) | (245,390) |
| Administrative Expenses | | (144,840) | (127,874) | (144,713) | (127,732) |
| Operating Profit | | 1,124,575 | 1,036,058 | 1,128,055 | 1,036,200 |
| Finance Income | 8 | 98,028 | 41,549 | 98,028 | 41,572 |
| Finance Expense | 8 | (449,560) | (401,969) | (449,665) | (402,283) |
| Net Finance Income/ (Expense) | 8 | (351,532) | (360,420) | (351,637) | (360,711) |
| Profit Before Taxation | 9 | 773,043 | 675,638 | 776,418 | 675,489 |
| Income Tax Expenses | 10 | (129,854) | (173,544) | (129,854) | (173,497) |
| Profit for the Year | | 643,189 | 502,094 | 646,564 | 501,992 |
| Other Comprehensive Income | | | | | |
| Items that will not be Reclassified to Profit or Loss | | | | | |
| Actuarial Gain on Defined Benefit Obligations | 24.3 | 919 | 9,030 | 919 | 9,030 |
| Deferred Tax on Actuarial Gain Defined Benefit Obligations | 10.2 | (276) | (1,625) | (276) | (1,625) |
| Deferred Tax on revaluation surplus due to change of tax rate | 10.2 | (56,680) | - | (56,680) | - |
| Other Comprehensive Income/(expense) for the year net of tax | | (56,037) | 7,405 | (56,037) | 7,405 |
| Total Comprehensive Income for the year Net of Tax | | 587,152 | 509,499 | 590,527 | 509,397 |
| Profit attributable to | | | | | |
| Owners of the Company | | 643,189 | 502,094 | 646,564 | 501,992 |
| Non-Controlling Interests | | - | - | - | - |
| Total Comprehensive Income attributable to | | | | | |
| Owners of the Company | | 587,152 | 509,499 | 590,527 | 509,397 |
| Non-Controlling Interests | | - | - | - | - |
| Basic Earnings per Share (Rs.) | 11 | 27.41 | 21.40 | 27.55 | 21.39 |
| Dividend per Share (Rs.) | 12 | 6.00 | 5.00 | 6.00 | 5.00 |

The annexed Notes to the Financial Statements from pages 101 to 157 form an integral part of these Financial Statements.

Figures in brackets indicate deductions

# STATEMENT OF FINANCIAL POSITION

| As at 31st March | Note | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | | |
| ASSETS | | | | | |
| Property, Plant and Equipment | 13 | 1,093,583 | 1,025,026 | 1,093,583 | 1,025,026 |
| Intangible Assets | 14 | 484 | 646 | 484 | 646 |
| Investments in Subsidiaries | 15 | - | - | 1,000 | 2,000 |
| Non-Current Assets | | 1,094,067 | 1,025,672 | 1,095,067 | 1,027,672 |
| Inventories | 16 | 1,294,864 | 1,564,187 | 1,294,864 | 1,564,187 |
| Trade & Other Receivables | 17 | 1,185,412 | 1,762,308 | 1,185,412 | 1,762,308 |
| Investment valued at Fair Value Through Profit and Loss | 18.1 | 38,997 | 422,042 | 38,997 | 422,042 |
| Current Tax Assets | 29.2 | 19 | 12 | - | - |
| Cash and Cash Equivalents | 20 | 447,693 | 490,073 | 447,568 | 489,799 |
| Asset Held for Sale | 19 | - | 100 | - | - |
| Current Assets | | 2,966,985 | 4,238,722 | 2,966,841 | 4,238,336 |
| Total Assets | | 4,061,052 | 5,264,394 | 4,061,908 | 5,266,008 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Stated Capital | 21 | 393,785 | 284,912 | 393,785 | 284,912 |
| Revaluation Reserve | 22 | 341,265 | 399,914 | 341,265 | 399,914 |
| General Reserve | 23 | 100,814 | 100,814 | 100,814 | 100,814 |
| Retained Earnings | | 2,402,494 | 1,864,868 | 2,402,345 | 1,861,344 |
| Equity Attributable to Owners of the Company | | 3,238,358 | 2,650,508 | 3,238,209 | 2,646,984 |
| Non-Controlling Interests | | - | - | - | - |
| Total Equity | | 3,238,358 | 2,650,508 | 3,238,209 | 2,646,984 |
| LIABILITIES | | | | | |
| Defined Benefit Obligations | 24 | 64,135 | 65,033 | 64,135 | 65,033 |
| Deferred Tax Liabilities | 25 | 128,125 | 109,357 | 128,125 | 109,357 |
| Loans and Borrowings | 28 | 18,024 | 21,984 | 18,024 | 21,984 |
| Non-Current Liabilities | | 210,284 | 196,374 | 210,284 | 196,374 |
| Trade Creditors | 26 | 88,782 | 1,271,198 | 88,782 | 1,271,198 |
| Other Payables | 27 | 320,934 | 410,975 | 320,860 | 410,938 |
| Loans and Borrowings | 28 | 17,280 | 596,986 | 17,280 | 596,986 |
| Current Tax Liabilities | 29.1 | 145,484 | 136,785 | 145,484 | 136,785 |
| Amounts due to Related Parties | 30 | 404 | 344 | 404 | 344 |
| Amounts due to Subsidiaries | 31 | - | - | 1,079 | 6,399 |
| Bank Overdraft | 20 | 39,526 | - | 39,526 | - |
| Liabilities directly associated with the assets held for Sale | 19 | - | 1,224 | - | - |
| Current Liabilities | | 612,410 | 2,417,512 | 613,415 | 2,422,650 |
| Total Liabilities | | 822,694 | 2,613,886 | 823,699 | 2,619,024 |
| Total Equity and Liabilities | | 4,061,052 | 5,264,394 | 4,061,908 | 5,266,008 |
| Net Assets per Ordinary Share (Rs.) | | 137.99 | 112.95 | 137.99 | 112.80 |

The annexed Notes to the Financial Statements from pages 101 to 157 form an integral part of these Financial Statements.

These Financial Statements are in compliance with the requirements of the Companies Act No.7 of 2007

**Dimuthu Nandirathne**
*Manager-Finance*

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

For and on behalf of the Board,

**G.S.N. Peiris**
*Chairman*

**I.M.P. Rupatunge**
*Director / CEO*

Colombo
24th May 2023

# STATEMENT OF CHANGES IN EQUITY

| GROUP<br>*(In Thousands of Rupees)* | Stated Capital | Revaluation Reserve | General Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| Balance as at 1st April 2021 | 160,831 | 401,883 | 100,814 | 1,518,462 | 2,181,990 |
| **Comprehensive Income for the Year** | | | | | |
| Profit for the Year | - | - | - | 502,094 | 502,094 |
| **Other Comprehensive Income for the Year** | | | | | |
| Actuarial Gain on Defined Benefit Obligations (Note 24.3) | - | - | - | 9,030 | 9,030 |
| Deferred Tax on Other Comprehensive Income | - | - | - | (1,625) | (1,625) |
| **Total Comprehensive Income for the Year** | - | - | - | 509,499 | 509,499 |
| Transfer of Depreciation on Revaluation Surplus | - | (2,626) | - | 2,626 | - |
| Deferred Tax on Depreciation of Revaluation Surplus | - | 657 | - | (657) | - |
| **Transactions with Owners of the Company** | | | | | |
| Unclaimed Dividends Forfeited | - | - | - | 523 | 523 |
| Final Scrip and Cash Dividend, 2020/21 - paid | 124,081 | - | - | (165,585) | (41,504) |
| | 124,081 | (1,969) | - | (163,093) | (40,981) |
| **Balance as at 31st March 2022** | 284,912 | 399,914 | 100,814 | 1,864,868 | 2,650,508 |
| **Balance as at 1st April 2022** | 284,912 | 399,914 | 100,814 | 1,864,868 | 2,650,508 |
| **Comprehensive Income for the Year** | | | | | |
| Profit for the Year | - | - | - | 643,189 | 643,189 |
| **Other Comprehensive Income for the Year** | | | | | |
| Actuarial Gain on Defined Benefit Obligations (Note 24.3) | - | - | - | 919 | 919 |
| Deferred Tax on Other Comprehensive Income | - | - | - | (276) | (276) |
| Deferred Tax Liability on Revaluation Surplus due to rate change | - | (56,680) | - | - | (56,680) |
| **Total Comprehensive Income for the Year** | - | (56,680) | - | 643,832 | 587,152 |
| Transfer of Depreciation on Revaluation Surplus | - | (2,626) | - | 2,626 | - |
| Deferred Tax on Depreciation of Revaluation Surplus | - | 657 | - | (657) | - |
| **Transactions with Owners of the Company** | | | | | |
| Unclaimed Dividends Forfeited | - | - | - | 769 | 769 |
| Final Scrip and Cash Dividend, 2021/22 - paid | 108,873 | - | - | (108,944) | (71) |
| | 108,873 | (1,969) | - | (106,206) | 698 |
| **Balance as at 31st March 2023** | 393,785 | 341,265 | 100,814 | 2,402,494 | 3,238,358 |

The annexed Notes to the Financial Statements from pages 101 to 157 form an integral part of these Financial Statements.

Figures in brackets indicate deductions

| COMPANY<br>*(In Thousands of Rupees)* | Stated Capital | Revaluation Reserve | General Reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| Balance as at 1st April 2021 | 160,831 | 401,883 | 100,814 | 1,515,040 | 2,178,568 |
| Comprehensive Income for the Year | | | | | |
| Profit for the Year | - | - | - | 501,992 | 501,992 |
| Other Comprehensive Income for the year | | | | | |
| Actuarial Gain on Defined Benefit Obligations (Note 24.3) | - | - | - | 9,030 | 9,030 |
| Deferred Tax on Other Comprehensive Income | - | - | - | (1,625) | (1,625) |
| Total Comprehensive Income for the Year | - | - | - | 509,397 | 509,397 |
| Transfer of Depreciation on Revaluation Surplus | - | (2,626) | - | 2,626 | - |
| Deferred Tax on Depreciation of Revaluation Surplus | - | 657 | - | (657) | - |
| Transactions with Owners of the Company | | | | | |
| Unclaimed Dividends Forfeited | - | - | - | 523 | 523 |
| Final Scrip and Cash Dividend, 2020/21 - paid | 124,081 | - | - | (165,585) | (41,504) |
| | 124,081 | (1,969) | - | (163,093) | (40,981) |
| Balance as at 31st March 2022 | 284,912 | 399,914 | 100,814 | 1,861,344 | 2,646,984 |
| Balance as at 1st April 2022 | 284,912 | 399,914 | 100,814 | 1,861,344 | 2,646,984 |
| Comprehensive Income for the year | | | | | |
| Profit for the Year | - | - | - | 646,564 | 646,564 |
| Other Comprehensive Income for the year | | | | | |
| Actuarial Gain on Defined Benefit Obligations (Note 24.3) | - | - | - | 919 | 919 |
| Deferred Tax on Other Comprehensive Income | - | - | - | (276) | (276) |
| Deferred Tax Liability on Revaluation Surplus due to rate change | - | (56,680) | - | - | (56,680) |
| Total Comprehensive Income for the Year | - | (56,680) | - | 647,207 | 590,527 |
| Transfer of Depreciation on Revaluation Surplus | - | (2,626) | - | 2,626 | - |
| Deferred Tax on Depreciation of Revaluation Surplus | - | 657 | - | (657) | - |
| Transactions with Owners of the Company | | | | | |
| Unclaimed Dividends Forfeited | - | - | - | 769 | 769 |
| Final Scrip and Cash Dividend, 2021/22 - paid | 108,873 | - | - | (108,944) | (71) |
| | 108,873 | (1,969) | - | (106,206) | 698 |
| Balance as at 31st March 2023 | 393,785 | 341,265 | 100,814 | 2,402,345 | 3,238,209 |

The annexed Notes to the Financial Statements from pages 101 to 157 form an integral part of these Financial Statements.

Figures in brackets indicate deductions

# STATEMENT OF CASH FLOWS

| For the year ended 31st March | Note | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | | |
| Cash Flows from Operating Activities | | | | | |
| Profit before taxation | | **773,043** | 675,638 | **776,418** | 675,489 |
| Adjustments for : | | | | | |
| Depreciation of Property, Plant & Equipment | 13 | **54,541** | 53,005 | **54,541** | 53,005 |
| Amortisation of Intangible Assets | 14 | **162** | 187 | **162** | 187 |
| Impairment loss of Property, Plant & Equipment | 13 | **5** | - | **5** | - |
| Disposal Loss /(Gain) on sales of Quoted Equity Securities | 18.1 | **48** | (2,734) | **48** | (2,698) |
| Disposal Gain on Redemption of Unit Trust Investments | 18.2 | **(31,781)** | (9,469) | **(31,781)** | (9,469) |
| Loss /(Gain) on Investment valued at Fair Value Through Profit and Loss | 8 | **9,684** | (25,234) | **9,684** | (25,304) |
| Gain on Disposal of Property, Plant & Equipment | 7 | **(47)** | (442) | **(47)** | (442) |
| Provision for Employee Benefits | 24.2 | **14,396** | 9,437 | **14,396** | 9,437 |
| Provision for Impairment of Trade Debtors | 17.1 | **143,602** | 13,250 | **143,602** | 13,250 |
| Write-off /(Reversal) of Inventories | 16.3 | **(5,032)** | 4,389 | **(5,032)** | 4,389 |
| Provision for Slow moving inventories | 16.2 | **45,840** | 1,440 | **45,840** | 1,440 |
| Gain on winding up of Subsidiary | | **(751)** | - | **(4,104)** | - |
| Interest Expenses | 8 | **99,662** | 48,820 | **99,767** | 49,132 |
| Interest Received | 8 | **(65,276)** | (3,377) | **(65,276)** | (3,377) |
| Dividend Income | 8 | **(948)** | (735) | **(948)** | (724) |
| Operating Profit before Working Capital Changes | | **1,037,148** | 764,175 | **1,037,275** | 764,314 |
| Decrease /(Increase) in Inventories | | **228,515** | (244,617) | **228,515** | (244,617) |
| Decrease /(Increase) in Trade and Other Receivables | | **433,294** | (868,294) | **433,294** | (868,294) |
| Increase /(Decrease) in Amounts due to Related Parties | | **60** | (735) | **60** | (735) |
| Increase /(Decrease) in Amounts due to Subsidiaries | | **-** | - | **(216)** | 18 |
| Increase /(Decrease) in Trade and Other Payables | | **1,272,061** | 1,105,209 | **(1,271,725)** | 1,105,330 |
| Cash Generated from Operating Activities | | **426,956** | 755,738 | **427,203** | 756,016 |
| Gratuity Paid | 24.1 | **(14,375)** | (3,532) | **(14,375)** | (3,532) |
| Interest Paid | 8 | **(99,662)** | (48,820) | **(99,767)** | (49,132) |
| Taxes Paid | 29.1 | **(159,350)** | (123,742) | **(159,343)** | (123,707) |
| Net Cash Generated from Operating Activities | | **153,569** | 579,644 | **153,718** | 579,645 |
| Cash Flow from Investing Activities | | | | | |
| Acquisition of Property, Plant and Equipment and Intangible Assets | 13 & 14 | **(35,691)** | (67,847) | **(35,691)** | (67,847) |
| Investments/(Redemption) in Unit Trust | 18.2 | **404,953** | 48,000 | **404,953** | 48,000 |
| Purchase/(Sales) of Quoted Equity Securities | 18.1 | **141** | (2,339) | **141** | (2,520) |
| Proceeds from Sale of Property, Plant & Equipment | | **47** | 442 | **47** | 442 |
| Purchase of Capital Work-in-Progress | 13.13 | **(87,412)** | (88,584) | **(87,412)** | (88,584) |
| Interest Received | 8 | **65,276** | 3,377 | **65,276** | 3,377 |
| Dividend Received | 8 | **948** | 735 | **948** | 724 |
| Net Cash Used in Investing Activities | | **348,262** | (106,216) | **348,262** | (106,408) |
| Cash Flows from Financing Activities | | | | | |
| Short Term and Long Term Loans obtained | 28 | **279,340** | 2,429,880 | **279,340** | 2,429,880 |
| Repayment of Short Term and Long Term Loans | 28 | **(863,006)** | (2,389,569) | **(863,006)** | (2,389,569) |
| Dividends paid | | **(71)** | (40,981) | **(71)** | (40,981) |
| Net Cash Generated / (Used) in Financing Activities | | **(583,737)** | (670) | **(583,737)** | (670) |
| Net Increase in Cash and Cash Equivalents | | **(81,906)** | 472,758 | **(81,757)** | 472,567 |
| Cash and Cash Equivalents at the beginning of the Year | 20 | **490,073** | 17,315 | **489,799** | 17,232 |
| Cash and Cash Equivalents at the End of the Year | 20 | **408,167** | 490,073 | **408,042** | 489,799 |

The annexed Notes to the Financial Statements from pages 101 to 157 attached hereto form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# ACCOUNTING POLICIES

## 1. REPORTING ENTITY

### 1.1. Corporate Information

Central Industries PLC ("the Company") is a public limited liability company incorporated on 18th September 1984 and domiciled in Sri Lanka.

The registered office of the Company and the principal place of business is situated at 312, Nawala Road, Rajagiriya. The ordinary shares of the Company are listed on the Colombo Stock Exchange.

The Consolidated Financial Statements of the Company for the year ended 31st March 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company has fully owned subsidiary, Polymer Technologies (Pvt) Limited (incorporated on 02nd March 1993). These wholly owned subsidiary Company did not carry out any business activities during the year.

Financial statements of the Company and the subsidiary is prepared for a common financial year which ends on 31st March.

### 1.2. Principal Activities and Nature of Operations

The principal activities of the Company are the manufacture and distribution of PVC and HDPE pipes and fittings and also manufacture Switches, Sockets and Accessories . The Company also manufactures and markets other products for the construction and building industry.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

### 1.3. Parent Enterprise and Ultimate Parent Enterprise

Central Finance Company PLC is the parent for the Company as at 31st March 2023. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Central Finance Company PLC.

### 1.4. Number of Employees

The numbers of employees of the Group and Company as at 31st March 2023 are as follows:

Group 343 (2022-387)

Company 343 (2022-387)

### 1.5. Responsibilities for Financial Statements and Approval of Financial Statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Group as per the provisions of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards. The Directors' responsibility over financial statements is set out in detail in the Statement of Directors' Responsibility.

The financial statements of the Group for the year ended 31 March 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 24th May 2023.

## 2. BASIS OF PREPARATION

### 2.1. Current versus - Non-current classification

All assets and liabilities are classified as current and non-current as per Company's normal operating cycle of 12 months which is based on the nature of business of the Company. Current Assets do not include elements which are not expected to be realized within 1 year and Current Liabilities do not include items which are due after 1 year, the period of 1 year being reckoned from the reporting date.

### 2.2. Statement of Compliance

The Consolidated Financial Statements of the Group and Company which comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive income, Statement of Changes in Equity and Statement of Cash Flows have been prepared in accordance with Sri Lanka Accounting Standards (hereinafter referred to as SLFRS / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka, and in compliance with the requirements of the Company's Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

# ACCOUNTING POLICIES

## 2.3. Basis of Measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

| Item | Basis of Measurement | Note Number |
|---|---|---|
| Freehold land and buildings | Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation | 13 |
| Investments valued at fair value through profit or loss | Measured at fair Value | 18 |
| Assets held for sales | Measured at fair Value less cost to sell | 19 |
| Defined Benefit Obligations | Measured at the present value of the defined benefit obligation | 24 |

## 2.4. Functional and Presentation Currency

The consolidated financial statements are presented in Sri Lankan Rupees, which is the functional and presentation currency of all Group entities. There was no change in the Group's presentation and functional currency during the year under review. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousands, unless stated otherwise.

## 2.5. Use of Estimates and Judgments

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes;

| Critical accounting assumptions and estimation uncertainties | Note |
|---|---|
| Fair value of land and buildings | 2.5.1 |
| Useful life-time of the property, plant and equipment | 2.5.2 |
| Measurement of defined benefit obligation: key actuarial assumptions | 2.5.3 |
| Impairment measurement of financial assets: determination of inputs into the ECL measurement model, including key assumptions and incorporation of forward-looking information | 2.5.4 |
| Measurement of fair Value | 2.6 |
| Impairment on non-financial assets | 3.4 |

### 2.5.1. Fair value of land and buildings

The Group measures land and buildings at revalued amounts with changes in fair value being recognised in equity through Other Comprehensive Income (OCI). Valuations are performed to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. The Group engages independent professional valuer Mr. Anuradha Seneviratne, Chartered Valuation Surveyor to assess fair value of land and buildings in terms of Sri Lanka Accounting Standards on "Fair Value Measurement" (SLFRS13). Based on the valuation techniques and inputs used, land and buildings were classified at level 3 in the fair value hierarchy.

The valuation techniques, significant unobservable inputs, key assumptions used to determine the fair value of the land and building, and sensitivity analysis are provided in Note 13.10 and 13.11.

### 2.5.2. Useful life-time of the property, plant and equipment

The Group reviews the residual values, useful lives, and methods of depreciation of property, plant and equipment at each reporting date. Judgement of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty. Refer Note 3.6.3 for more details.

### 2.5.3. Measurement of defined benefit obligation

The cost of defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Refer Note 24.4 for the assumptions used to determine defined benefit obligations. Sensitivity analysis to key assumptions is disclosed in Note 24.5.

### 2.5.4. Impairment measurement of financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.

The Group's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include,

Development of ECL models, including the various statistical formulas and the choice of inputs,

Determination of associations between macro-economic inputs, such as GDP growth, inflation, interest rates, exchange rates and unemployment and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGD);

Selection of forward-looking macro-economic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

## 2.6. Measurement of Fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non- financial assets and liabilities.

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, the Group assesses evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Inputs for the asset or liability that is not based on observable market data. (Unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumption made in measuring fair value is included in note 40.1.

## 2.7. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements' and amendments to the LKAS 1 on 'Disclosure Initiative'.

Notes to the Financial Statements are presented in systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

## 2.8. Going Concern

The Management assessed the current economic conditions, in preparation of financial statements and is of the view that Company has appropriate processes in place to identify and take necessary actions to minimise any unfavorable business impact. Lack of foreign exchange liquidity in the banking sector has resulted in delayed foreign supplier payments whether for capital or consumable goods creating challenges in sustaining the smooth business operations. However, Company has taken necessary measures to face such challenges to ensure continous operations. Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. Group has evaluated the resilience of its businesses considering a wide range of factors such as current and expected profitability, the ability to defer nonessential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services.

In management's view, the Group will have sufficient resources to continue for a future period. Management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Consolidated Financial Statements of the Group continued to be prepared on a going concern basis. Refer Note 39 to the Financial Statements for impact of current economic condition on the Financial Statements of the Group.

## 2.9. Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

## 2.10. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Group.

## 2.11. 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'.

# 3. SIGNIFICANT ACCOUNTING POLICES

The Group has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements.

## 3.1. Basis of Consolidation

The Group's Financial Statements comprise of the consolidation of Financial Statements of the Company and its subsidiaries prepared in terms of Sri Lanka Accounting Standard (SLFRS -10) - Consolidated Financial Statements.

### 3.1.1. Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.
Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

### 3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

Adjustments required to the accounting policies of subsidiaries are changed wherever necessary to align them with the policies adopted by the Group.

The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition. Subsequent to the acquisition, the Company continues to recognize the investment in the subsidiary at cost.

| Name of subsidiary | Controlling interest |
|---|---|
| Polymer Technologies (Pvt) Ltd | 100% |

### 3.1.3. Non-Controlling Interest

The proportion of the profits or losses after taxation applicable to outside shareholders of subsidiary companies is included under the heading "Non-controlling interest" in the Consolidated Income Statement. Losses applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

Non-controlling interests are measured at their appropriate share of acquired identifiable net assets at the date of acquisition.

Changes in the Group's interest in a Subsidiary that do not result in a loss of control are accounted for as equity transactions.

As the Company owns 100% of the equity of its subsidiaries no non-controlling interest is applicable.

### 3.1.4. Loss of Control

When the Group losses its control over its subsidiaries, it de-recognizes the assets and liabilities of the subsidiaries, any related Non-Controlling Interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in former subsidiaries is measured at fair value when control is lost.

### 3.1.5. Intra-Group Transactions

Transfer prices between Group entities are set on an arm's length basis in a manner similar to transactions with third parties.

Intra-group balances, intra-group transactions and resulting unrealized profits are eliminated in full in the Financial Statements. Unrealized losses resulting from intra-group transactions are eliminated unless the cost cannot be recovered.

## 3.2. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates as at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate as at that date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognized in profit or loss.

## 3.3. Financial Instruments

#### (a) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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 at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a financing component is initially measured at the transaction price.

#### (b) Classification and subsequent measurement

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 subsequent to their initial 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 of 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 payments of principal and interest on the principal amount outstanding.

On 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 asset 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.

#### Financial assets - Business model assessment:

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

# ACCOUNTING POLICIES

- 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 that business model) and how those risks are managed;

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets - 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, foreign exchange gains and losses 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, foreign exchange gains and losses 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.

**Financial liabilities - 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 the 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.

### (c) Derecognition

#### 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.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### 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.

#### 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.

### (d) Impairment policy

#### Non-derivative financial assets

#### Financial instruments and contract assets

The Group recognises allowances for expected creditlosses (ECLs) on financial assets measured at amortized cost. Loss allowances for trade receivables is 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 assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

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

- the borrower is unlikely to pay its credit obligations 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 180 days past due.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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 and debt securities at FVOCI 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 have occurred.

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or being more than 180 days past due;

- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market or a security because of financial difficulties.

# ACCOUNTING POLICIES

**Presentation of allowance for ECL in the statement of financial position**

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

## 3.4. Impairment Policy: Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of other assets, recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3.5. Stated Capital

**Ordinary Shares**

Ordinary Shares are classified as equity. Incidental costs attributable to the issue of ordinary shares are recognized as an expense.

## 3.6. Property, Plant and Equipment

### 3.6.1. Recognition and Measurement

**3.6.1.1. Basis of recognition**

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured reliably.

**3.6.1.2. Basis of measurements**

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. The cost of property, plant and equipment comprises purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to the working condition of its intended use. This also includes costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that asset. When parts of an item of Property, Plant and Equipment (major components) have different useful lives, they are accounted for as separate items of property, plant and equipment.

**Subsequent measurement - Cost model**

The Group applies the Cost Model to all property, plant and equipment except for freehold land and freehold building and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulate impairment losses.

**Subsequent measurement - Revaluation model**

The Group applies the Revaluation Model for the entire class of freehold land and freehold building for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land and buildings do not change other than by a significant amount at each reporting period, the Group will revalue such land every five years.

Any surplus arising on the revaluation is recognized in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognized in income statement, in which case the credit to that extent is recognized in income statement. Any deficit on revaluation is recognized in income statement except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in other comprehensive income. Therefore, revaluation increases, and decreases cannot be offset, even within a class of assets.

External, independent qualified valuer having appropriate experience in valuing properties in locations of properties being valued, value the land and buildings owned by the Group based on market values, this is 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. The details of land valuation are disclosed in Note No. 13.10 & 13.11 to the Financial Statements.

### 3.6.2. Subsequent Costs

The cost of replacing a component of an item of property or 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 costs of the day-to-day servicing of property and equipment are recognised in Income Statement as incurred.

### 3.6.3. Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets. Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation. Land is not depreciated.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in the Income statement.

Estimated useful lives of significant items of Property, Plant and Equipment are as follows:

| Category of Asset | Useful Economics Life Time (Years) |
|---|---|
| Buildings | 40 |
| Plant and Machinery (Excluding the Processing Unit of the Extrusion Lines) | 5-25 |
| Tools and Equipment | 3 -5 |
| Furniture and Fittings | 10 |
| Motor Vehicles | 5 |
| Computer Equipment | 3-5 |
| Processing units of Extrusion Lines | 10,000-15,000 operating hours |

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 derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 3.6.4. De-recognition

An item of Property, Plant and Equipment is derecognized upon disposal or when no future economic benefits are expected from its use. The gains or losses arising on derecognition (disposal or retirement) of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of the assets are recognized net within 'other income' in the Statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

### 3.6.5. Capital work-in-progress

Capital expenses incurred during the year 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 year and put to use have been transferred to property, plant and equipment.

## 3.7. Intangible Assets

**(a) Recognition and Measurement**

All computer software costs incurred, licensed for use by the Group, which are not integrally related to associate hardware, and can be clearly identified, reliably measured and is probable will lead to future economic benefits are included in the Statement of Financial Position under the category, Intangible Assets, and carried at cost less accumulated amortization and accumulated impairment losses if any.

**(b) Subsequent Expenditure**

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, are recognized in profit or loss as incurred.

**(c) Amortization**

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful life-time in 5 years for all computer software for the current and comparative years.

Amortization methods, useful life-time and residual values are reviewed at each reporting date and adjusted if appropriate.

**(d) De-recognition**

Gains or losses arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss when the asset is derecognized.

## 3.8. Inventories

Inventories are valued at the lower of cost or net realizable value under the weighted average method, after making do provision for slow moving items and obsolescence.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of raw materials are determined at purchase price including all expenses incurred in sourcing.

The cost of Work-in-Progress is the value of raw material and direct inputs transferred to production. The cost of finished goods includes raw material cost, direct labour costs and a systematic allocation of fixed and variable production overheads.

**Non-moving and Slow-moving Inventories**

The management carries out an annual review of the inventories and makes provisions as follows:

**Non-moving Inventories**

80% provision is made on the value of items which have not moved for more than 12 months.

**Slow-moving Inventories**

50% provision is made on the value of slow-moving items which are in excess of 12 months' average requirements.

**Machinery Spares**

Provision is made in full for machinery spares which have been carried in stocks for more than 10 years.

## 3.9. Assets Held for Sale

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

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

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

## 3.10. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits with original maturity of three months or less. Bank overdrafts are shown in current liabilities. For purpose of cash flow, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as components of cash and cash equivalent.

## 3.11. Liabilities and Provisions

Liabilities classified as current liabilities on the statement of financial position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances payable after one year from the reporting date.

All known liabilities are accounted for in the statement of financial position.

### 3.11.1. Provisions

Provisions are recognised when the Group has a binding present obligation. This may be either legal because it derives from a contract, legislation or other operation of law, or constructive because the Group created valid expectations on the part of third parties by accepting certain responsibilities. To record such an obligation, it must be probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognized as a provision and the indicated time range of the outflow of economic benefits are the best estimate (most probable outcome) of the expenditure required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. Non-current provisions are discounted if the impact is material.

## 3.12. Employee Benefits

**a. Defined Contribution Plans - (Employees' Provident Fund and Employees' Trust Fund)**

A defined contribution plan is a post-employment plan under which an entity pays fixed contributions 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 recognized as expenses in the profit and loss in the period during which related services are rendered by employees.

**Employees' Provident Fund**

The Group and employees contribute 12% and 8% respectively on the salary of each employee. The fund is managed by the Central Bank of Sri Lanka.

**Employee Trust Fund**

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

Contributions to defined contribution plans are recognized as an expense in the Statement of Comprehensive Income as incurred.

**b. Defined Benefit Plans**

A defined Benefit Plan is a post-employment benefit plan other than a Defined Contribution Plan. The liability recognized in the Statement of Financial Position in respect of a Defined Benefit Plan is the present value of the defined benefit obligation at the Statement of Financial Position date. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method, as recommended by LKAS 19, "Employee Benefits".

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that apply to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The assumptions based on which the results of the actuarial valuation were determined are included in the note 24 to the Financial Statements. This liability is not externally funded and the item is grouped under Non-Current Liabilities in the Statement of Financial Position.

The qualifying remuneration of all permanent employees in considered in the calculation of the defined benefit obligation.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. Liabilities are computed on the basis of half a month's salary for each year of completed service. The Company's obligations under the said Act is determined based on an actuarial valuation using the projected unit credit method carried out by a professional actuary.

Re-measurements of the defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in OCI. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

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

**c. Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee and the obligation can be measured reliably.

**d. Termination benefits**

Termination benefits are recognized as an expense when the Group and the Company is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group and the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

## 3.13. Capital Commitments and Contingencies

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the Financial Statements.

Contingent Liabilities and Capital Commitments of the Group are disclosed in Notes 36 and 37 to the Financial Statements.

# 4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## 4.1. Revenue Recognition

Revenue is comprised of the invoiced value of goods sold to customers after deduction of trade discounts, but before charging taxes thereon.

**Revenue from contracts with Customers**

The Group revenue is recognised when a customer obtains control of the goods or services – Determining the timing of the transfer of control – at a point in time or overtime requires judgement.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognition will not occur. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes and after eliminating sales within the Group.

The following specific criteria are used for the purpose of recognition of revenue:

a) Revenue from the sale of goods is recognized in the Statement of Profit or Loss when control of the goods has been transferred to the customers. Recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with trade returns and trade discounts.

b) Interest income is recognized on an accrual basis.

c) Dividend income is recognized when the shareholders' right to receive the payment is established.

d) Profit or loss of a revenue nature on the disposal of Property, Plant and Equipment and other non-current assets have been accounted in the Statement of Profit or Loss having deducted from the proceeds on disposal, the carrying amount of the asset and the related selling expenses.

## 4.2. Expenditure

### i. Operating Expenditure

All expenditure incurred in running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the state Profit & Loss in arriving at the profit for the year. For the purpose of presentation of Statements of Profit or Loss and Other Comprehensive Income, the Directors are of the opinion that the function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

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 treated as capital expenditure.

Repairs and renewals are recognized in Profit or Loss in the year in which the expenditure is incurred.

### ii. Finance Cost

Interest cost is recognised in the Income Statement as it accrues and is calculated by using the effective interest rate method. The Group's finance cost includes interest expenses on short-term borrowing and other interest expenses.

### iii. Borrowing Cost

As per the Sri Lanka Accounting Standard - LKAS 23 on 'Borrowing Costs', the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period to get ready for its intended use or sale. Other borrowing costs are recognised in the Income Statement in the period in which they occur.

## 4.3. Income Tax Expenses

Income tax expense comprises both current and deferred tax. Income tax expense is recognised in income statement except to the extent that it relates to items recognised directly in equity, in which case is recognised in the statement of comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

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 them under LKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

### a. Current Taxation

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

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial Statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the Financial Statements.

### b. Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- 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;

- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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 realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**c. Tax exposures**

In determining the amount of current and deferred tax, the Group considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events.

New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

## 4.4. Basic Earnings per Share

The Group presents basic and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## 4.5. Dividend Distribution

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Group.

## 4.6. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

The Statement of Cash Flows has been prepared using the "indirect method". Interest paid is classified as an operating cash flow, interest and dividends received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting the Statement of Cash Flow.

## 4.7. 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. All operating segments' operating results are reviewed regularly by the Director/CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment information reflects Water Management Products and Electrical Products. Inter segment transfers are based on fair market prices.

The Group's business activities are located in Sri Lanka. Consequently, assets and liabilities by geographic regions are considered not material to be segmented. Expenses that cannot be directly identified to a particular segment are allocated on the basis decided by the management and applied consistently throughout the year.

# 5. SRI LANKA ACCOUNTING STANDARDS (SLFRS) ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1stApril 2023 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these financial statements.

- **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 recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized 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.

- **Definition of Accounting Estimates (Amendments to LKAS 8)**

The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendment applies to annual reporting periods beginning on or after 1st January 2023.

# ACCOUNTING POLICIES

- **Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 1st January 2023**

The amendments in Classification of Liabilities as Current or Non-current (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item

The key amendments are as follows:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counter party of cash, equity instruments, other assets or services. The Group does not anticipate this amended to have a significant impact.

- **Disclosure of Accounting Policies (Amendments to LKAS 1). The amendment applies to annual reporting period beginning on or after 1st January 2023**

The key amendments include,

- requiring companies to disclose their material accounting policies rather than their significant accounting policies.

- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Group's financial statements. The Company does not anticipate this amended to have a significant impact.

# NOTES TO THE FINANCIAL STATEMENTS

## 6. REVENUE

| For the year ended 31st March, | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | |
| Revenue from Contracts with Customers | | | | |
| Water Management Products | 3,918,971 | 6,214,570 | 3,918,971 | 6,214,570 |
| Electrical Products | 415,027 | 517,313 | 415,027 | 517,313 |
| Total Revenue | 4,333,998 | 6,731,883 | 4,333,998 | 6,731,883 |

### 6.1. Timing of Revenue Recognition

| | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Products & services transferred at a point in time | 4,333,998 | 6,731,883 | 4,333,998 | 6,731,883 |
| Total Revenue | 4,333,998 | 6,731,883 | 4,333,998 | 6,731,883 |

Segmental Information is given in Note 34 to these Financial Statements.

## 7. OTHER INCOME

| For the year ended 31st March, | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | |
| Gain on sale of Property, Plant and Equipment | 47 | 442 | 47 | 442 |
| Gain on discontinuation of subsidiary (Note 19.1) | 751 | - | 4,104 | - |
| Sale of Scrap and Obsolete items | 3,901 | 1,797 | 3,901 | 1,797 |
| | 4,699 | 2,239 | 8,052 | 2,239 |

**7.1.** As approved by the Board of Directors, The Central Industries Marketing (Pvt) Limited has been wound up during the year. The gain of Rs. 750,594 arised on liquidation has been recognised in the income statement.

| For the year ended 31st March | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | |
| Retained Earnings CIML | - | - | 3,353 | - |
| Current asset write off during the year | (163) | - | (3,318) | - |
| Current liabilities write back during the year | 1,190 | - | 4,345 | - |
| Expenses made during the year | (345) | - | (345) | - |
| Income generated during the year | 69 | - | 69 | - |
| | 751 | - | 4,104 | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 8. NET FINANCE INCOME/ (EXPENSE)

| For the year ended 31st March, | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | |
| Dividend Income | **948** | 735 | **948** | 724 |
| Interest Income | **65,276** | 3,377 | **65,276** | 3,377 |
| Disposal Gain on Redemption of Unit Trust Investments | **31,781** | 9,469 | **31,781** | 9,469 |
| Disposal Gain on sales of Quoted Equity Securities | **-** | 2,734 | **-** | 2,698 |
| Net Change in Unit Trust Fair Value Through Profit and Loss | **23** | 25,234 | **23** | 25,304 |
| Finance Income | **98,028** | 41,549 | **98,028** | 41,572 |
| Interest Expense on Financial Liabilities | **95,591** | 46,812 | **95,696** | 47,126 |
| Interest Expense on Distributor Security Deposits | **4,071** | 2,007 | **4,071** | 2,007 |
| Net Change in Quoted Equity Securities Fair Value Through Profit and Loss | **9,707** | - | **9,707** | - |
| Net Foreign Exchange Loss | **339,818** | 352,654 | **339,818** | 352,654 |
| Stamp Duty | **325** | 496 | **325** | 496 |
| Disposal Loss on sales of Quoted Equity Securities | **48** | - | **48** | - |
| Finance Expense | **449,560** | 401,969 | **449,665** | 402,283 |
| Net Finance Income / (Expense) | **(351,532)** | (360,420) | **(351,637)** | (360,711) |

## 9. PROFIT BEFORE TAXATION

The profit before taxation for the year is stated after charging all expenses including the following :

| For the year ended 31st March, | | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | | | | |
| Directors' Emoluments | | **22,220** | 20,250 | **22,220** | 20,250 |
| Auditors' Remuneration | - Statutory Audit - KPMG | **657** | 535 | **657** | 535 |
| | - Other Auditor | **21** | 51 | **-** | - |
| | - Non Audit Services | **225** | 200 | **225** | 200 |
| Depreciation on Property, Plant & Equipment (Note 13) | | **54,541** | 53,005 | **54,541** | 53,005 |
| Amortization of Intangible Assets (Note 14) | | **162** | 187 | **162** | 187 |
| Donations | | **1,061** | 505 | **1,061** | 505 |
| Legal Expenses | | **1,605** | 597 | **1,605** | 597 |
| Impairment Provision for Trade Receivables (Note 17.1) | | **143,602** | 13,250 | **143,602** | 13,250 |
| Impairment Provision for Inventories (Note 16.2) | | **45,840** | 1,440 | **45,840** | 1,440 |
| (Reversal)/ Write down of obsolete rejects (Note 16.3) | | **(5,032)** | 4,389 | **(5,032)** | 4,389 |
| Staff Cost | | | | | |
| Remuneration | | **204,251** | 196,625 | **204,251** | 196,625 |
| Defined Contribution Plans - EPF | | **24,510** | 23,598 | **24,510** | 23,598 |
| Defined Contribution Plans - ETF | | **6,127** | 5,896 | **6,127** | 5,896 |
| Defined Benefit Plans (Note 24.2) | | **14,396** | 9,437 | **14,396** | 9,437 |

## 10. INCOME TAXES

| For the year ended 31st March, | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| **10.1. Amounts recognised in Profit or Loss** | | | | |
| Current Tax Expense | | | | |
| Income Tax on Current Year's Profits (Note 10.3) | 174,128 | 175,894 | 174,128 | 175,847 |
| Income Tax (Over)/ under Provision Prior Years | (6,086) | 1,171 | (6,086) | 1,171 |
| | 168,042 | 177,065 | 168,042 | 177,018 |
| Deferred Tax Expense | | | | |
| (Origination)/ Reversal of Deferred Tax Assets (Note 25.a) | (34,199) | (3,182) | (34,199) | (3,182) |
| Origination/ (Reversal) of Deferred Tax Liability (Note 25.b) | 1,440 | (339) | 1,440 | (339) |
| Effect of changes in tax rates (Note 25.c) | (5,429) | - | (5,429) | - |
| | (38,188) | (3,521) | (38,188) | (3,521) |
| Income Tax Expense recognised in Profit or Loss | 129,854 | 173,544 | 129,854 | 173,497 |

### 10.2. Amounts recognized in Other Comprehensive Income

| For the year ended 31st March, | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Value Before Tax | Tax (Expenses) / Benefit | Net of Tax | Value Before Tax | Tax (Expenses) / Benefit | Net of Tax |
| *(In Thousands of Rupees)* | | | | | | |
| GROUP | | | | | | |
| Item that will not be reclassified to profit or loss | | | | | | |
| Actuarial Gain on Defined Benefit Obligations | 919 | (276) | 643 | 9,030 | (1,625) | 7,405 |
| On Revaluation Surplus due to rate change | - | (56,680) | (56,680) | - | - | - |
| | 919 | (56,956) | (56,037) | 9,030 | (1,625) | 7,405 |
| COMPANY | | | | | | |
| Item that will not be reclassified to profit or loss | | | | | | |
| Actuarial Gain on Defined Benefit Obligations | 919 | (276) | 643 | 9,030 | (1,625) | 7,405 |
| On Revaluation Surplus due to rate change | - | (56,680) | (56,680) | - | - | - |
| | 919 | (56,956) | (56,037) | 9,030 | (1,625) | 7,405 |

# NOTES TO THE FINANCIAL STATEMENTS

## 10.3. Reconciliation of Accounting Profits and Taxable Income

| For the year ended 31st March, (In Thousands of Rupees) | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Profit Before Taxation | **773,043** | 675,638 | **776,418** | 675,489 |
| Other Source of Income | **(116,097)** | (33,631) | **(119,450)** | (33,631) |
| Aggregate Disallowed Expenses | **227,002** | 329,236 | **227,002** | 329,236 |
| Aggregate Allowed Expenses | **(339,242)** | (63,227) | **(339,264)** | (63,227) |
| Assessable Income from Business | **544,706** | 908,016 | **544,706** | 907,867 |
| Assessable Interest Income | **97,173** | 33,624 | **97,173** | 33,427 |
| Taxable Income | **641,879** | 941,640 | **641,879** | 941,294 |
| Current Tax at 14% | **13** | 74 | **13** | 73 |
| Current Tax at 18% | **15,248** | 150,036 | **15,248** | 150,036 |
| Current Tax at 24% | **33,021** | 25,784 | **33,021** | 25,738 |
| Current Tax at 30% | **125,846** | - | **125,846** | - |
| Total Income Tax on Current Year's Taxable Income | **174,128** | 175,894 | **174,128** | 175,847 |

## 10.4. Applicable income tax rates as per the Department of Inland Revenue

In accordance with the provisions of the Inland Revenue (Amendment) Act No 10 of 2021, the Company is liable for Income Tax at the rate of 18% on its taxable Business income for the first half of the year. (2020/2021 - 18%). Income Tax for dividend income is computed at 14% and Income Tax for any other income is computed at 24%. According to the Inland Revenue Amended Act No 45 of 2022, the tax rate of the Company is increased to 30% from 18% w.e.f 01st October 2022.

## 10.5. Reconciliation of effective tax rate

| For the year ended 31st March (In Thousands of Rupees) | GROUP 2023 | | GROUP 2022 | |
|---|---|---|---|---|
| Profit Before Taxation | **773,043** | | 675,638 | |
| Income Tax Using the Domestic Tax Rate | **250,043** | **32%** | 125,996 | 19% |
| Other Source of Income | **(18,390)** | **-2%** | (6,054) | -1% |
| Aggregate Disallowed Expenses | **66,730** | **9%** | 59,262 | 9% |
| Aggregate Allowed Expenses | **(148,370)** | **-19%** | (11,381) | -2% |
| | **150,013** | **19%** | 167,824 | 25% |
| Other Statutory Income | **24,115** | **3%** | 8,070 | 1% |
| Total Statutory Income | **174,128** | **23%** | 175,894 | 26% |
| Adjustment For Prior Years | **(6,086)** | **-1%** | 1,171 | 0% |
| Current Tax on Profit for the Year | **168,042** | **22%** | 177,065 | 26% |

| For the year ended 31st March | COMPANY | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| *(In Thousands of Rupees)* | | | | |
| Profit Before Taxation | 776,418 | | 675,489 | |
| Income Tax Using the Domestic Tax Rate | 250,021 | 32% | 125,996 | 19% |
| Other Source of Income | (18,390) | -2% | (6,054) | -1% |
| Aggregate Disallowed Expenses | 66,730 | 9% | 59,262 | 9% |
| Aggregate Allowed Expenses | (148,348) | -19% | (11,381) | -2% |
| | 150,013 | 19% | 167,824 | 25% |
| Other Statutory Income | 24,115 | 3% | 8,022 | 1% |
| Total Statutory Income | 174,128 | 22% | 175,847 | 26% |
| Adjustment For Prior Years | (6,086) | -1% | 1,171 | 0% |
| Current Tax on Profit for the Year | 168,042 | 22% | 177,018 | 26% |

# 11. BASIC EARNINGS PER SHARE

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares in issue during the year.

The following reflect the profit and share data used in the Basic Earnings Per Share computation:

| For the year ended 31st March, | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 Restated | 2023 | 2022 Restated |
| Profit attributable to Ordinary Shareholders (Rs'000) | 643,189 | 502,094 | 646,564 | 501,992 |
| Weighted Average Number of Ordinary Shares (Note 11.1) | 23,466,490 | 23,466,490 | 23,466,490 | 23,466,490 |
| Basic Earnings Per Share (Rs.) | 27.41 | 21.40 | 27.55 | 21.39 |

## 11.1. Weigted-average number of ordinary shares

| | GROUP 2023 | GROUP 2022 Restated | COMPANY 2023 | COMPANY 2022 Restated |
|---|---|---|---|---|
| Issued ordinary shares as at beginning of the year | 23,466,490 | 21,788,936 | 23,466,490 | 21,788,936 |
| Shares issued in August 2022 as a scrip dividend | - | 1,677,554 | - | 1,677,554 |
| Weighted-average number of ordinary shares as at 31st March | 23,466,490 | 23,466,490 | 23,466,490 | 23,466,490 |

The weighted-average number of ordinary shares as at 31st March 2022 has been restated based on the number of shares issued as scrip dividend in August 2022 in accordance with Sri Lanka Accounting Standard LKAS 33 Earnings Per Share.

## 11.2. Diluted Earning per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Earnings Per Share is the same as Basic Earnings Per Share shown above.

## 12. DIVIDENDS PER SHARE

### 12.1. Dividend Declared and Paid during the Year

The final dividend declared for the year ended 31st March 2022 of Rs.5.00 per share amounting to Rs. 108,944,680 by way of scrip dividend.

### 12.2. Proposed Dividends for approval at AGM

The Board of Directors has declared a first and final ordinary dividend of Rs. 6/- per ordinary share for 2022/23 and of which Rs. 3/- per share will be a scrip dividend and balance Rs. 3/- will be cash and total dividend amounting to Rs. 140,798,940/-, which is to be approved by the shareholders at the Annual General meeting to be held on 28th June 2023. The entire ordinary dividends will be paid out of Profit for the year ending 31st March 2023. As stipulated by "Sri Lanka Accounting Standard (LKAS 10) Events After the Reporting period", the proposed dividend is not recognized as a liability as at 31st March 2023 in the Financial Statements.

Dividend per share is calculated by dividing the dividend declared out of profits for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

### 12.3. Compliance with Section 56 and 57 of the Companies Act No. 7 of 2007

As required by Section 56 of the Companies Act, No.7 of 2007, the Board of Directors of the Company has certified that the Company satisfies the Solvency Test in accordance with the Section 57, prior to recommending the first and final dividend for the year ended 31st March 2023. A statement of solvency completed and duly signed by the Directors will be submitted to M/S KPMG, Chartered Accountants for their audit.

## 13. PROPERTY, PLANT AND EQUIPMENT

**GROUP**

| (In Thousands of Rupees) | Freehold Land | Freehold Buildings | Plant and Machinery | Processing Units of extrusion Lines | Tools & Equipment | Furniture & Fittings | Motor Vehicles | Computer System | Total 2022/23 | Total 2021/22 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost / Revaluation** | | | | | | | | | | |
| As at 1st April 2022 | 471,856 | 218,812 | 581,711 | 48,558 | 52,132 | 3,451 | 21,425 | 24,279 | **1,422,224** | 1,359,255 |
| Additions during the year | - | - | 28,217 | 5,708 | 291 | 687 | - | 788 | **35,691** | 67,041 |
| Transfers from Capital Work-in-Progress | - | 19,533 | 44,400 | - | - | - | - | - | **63,933** | 6,327 |
| Written off during the year | - | - | (649) | (866) | (122) | (130) | - | (136) | **(1,903)** | (10,158) |
| Disposals during the year | - | - | - | - | - | | (141) | - | **(141)** | (241) |
| As at 31st March 2023 | 471,856 | 238,345 | 653,679 | 53,400 | 52,301 | 4,008 | 21,284 | 24,931 | **1,519,804** | 1,422,224 |
| **Accumulated Depreciation** | | | | | | | | | | |
| As at 1st April 2022 | - | 19,770 | 343,106 | 33,497 | 43,629 | 1,938 | 21,195 | 16,320 | **479,455** | 436,849 |
| Charge for the year | - | 6,959 | 38,908 | 2,205 | 3,259 | 356 | 69 | 2,785 | **54,541** | 53,005 |
| Depreclation on assets Written-off | - | | (649) | (866) | (122) | (125) | - | (136) | **(1,898)** | (10,158) |
| Depreciation on disposals during the year | - | | - | - | - | - | (141) | - | **(141)** | (241) |
| As at 31st March 2023 | - | 26,729 | 381,365 | 34,836 | 46,766 | 2,169 | 21,123 | 18,969 | **531,957** | 479,455 |
| **Carrying Amount as at 31st March 2023** | 471,856 | 211,616 | 272,314 | 18,564 | 5,535 | 1,839 | 161 | 5,962 | **987,847** | 942,769 |
| Addition : Capital Work-in-progress during the year ( Note 13.13) | - | 105,736 | - | - | - | - | - | - | **105,736** | 82,257 |
| **Property, Plant and Equipment as at 31st March 2023** | 471,856 | 317,352 | 272,314 | 18,564 | 5,535 | 1,839 | 161 | 5,962 | **1,093,583** | |
| Carrying Amount as at 31st March 2022 | 471,856 | 281,299 | 238,605 | 15,061 | 8,503 | 1,513 | 230 | 7,959 | | 1,025,026 |

**COMPANY**

| (In Thousands of Rupees) | Freehold Land | Freehold Buildings | Plant and Machinery | Processing Units of extrusion Lines | Tools & Equipment | Furniture & Fittings | Motor Vehicles | Computer System | Total 2022/23 | Total 2021/22 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost / Revaluation** | | | | | | | | | | |
| As at 1st April 2022 | 471,856 | 218,812 | 578,145 | 48,558 | 52,113 | 3,346 | 21,425 | 24,219 | **1,418,474** | 1,355,505 |
| Additions during the year | - | - | 28,217 | 5,708 | 291 | 687 | - | 788 | **35,691** | 67,041 |
| Transfers from Capital Work-in-Progress | - | 19,533 | 44,400 | - | - | - | - | - | **63,933** | 6,327 |
| Written off during the year | - | - | (649) | (866) | (103) | (25) | - | (76) | **(1,719)** | (10,158) |
| Disposals during the year | - | - | - | - | - | - | (141) | - | **(141)** | (241) |
| As at 31st March 2023 | 471,856 | 238,345 | 650,113 | 53,400 | 52,301 | 4,008 | 21,284 | 24,931 | **1,516,238** | 1,418,474 |
| **Accumulated Depreciation** | | | | | | | | | | |
| As at 1st April 2022 | - | 19,770 | 339,540 | 33,497 | 43,610 | 1,833 | 21,195 | 16,260 | **475,705** | 433,099 |
| Charge for the year | - | 6,959 | 38,908 | 2,205 | 3,259 | 356 | 69 | 2,785 | **54,541** | 53,005 |
| Depreciation on assets Written-off | - | - | (649) | (866) | (103) | (20) | - | (76) | **(1,714)** | (10,158) |
| Depreciation on disposals during the year | - | - | - | - | - | - | (141) | - | **(141)** | (241) |
| As at 31st March 2023 | - | 26,729 | 377,799 | 34,836 | 46,766 | 2,169 | 21,123 | 18,969 | **528,391** | 475,705 |
| **Carrying Amount as at 31st March 2023** | 471,856 | 211,616 | 272,314 | 18,564 | 5,535 | 1,839 | 161 | 5,962 | **987,847** | 942,769 |
| Addition : Capital Work-in-progress during the year ( Note 13.13) | - | 105,736 | - | - | - | - | - | - | **105,736** | 82,257 |
| **Property, Plant and Equipment as at 31st March 2023** | 471,856 | 317,352 | 272,314 | 18,564 | 5,535 | 1,839 | 161 | 5,962 | **1,093,583** | |
| Carrying Amount as at 31st March 2022 | 471,856 | 281,299 | 238,605 | 15,061 | 8,503 | 1,513 | 230 | 7,959 | | 1,025,026 |

## 13.1. Fully depreciated property, plant and equipment in use

Property, Plant and Equipment includes fully depreciated assets which are in the use of normal business activities having a cost of Rs.258.7 Mn. (2021/22 Rs.246.1 Mn).

## 13.2. Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date except assets disclosed under Note 13.7.

## 13.3. Acquisition of property, plant and equipment during the year

During the financial year, the Group acquired PPE for the aggregate value of Rs. 35.6 Mn. (2021/2022 - Rs. 67 Mn) by means of cash.

## 13.4. Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year 2022/2023 (2021/2022 – Nil).

## 13.5. Temporarily idle property, plant and equipment

There is no temporarily idle property, plant or equipment as at the reporting date. (2021/2022 - Nil)

## 13.6. Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of PPE as at 31 March 2023 by considering the impact from the current economic condition as well. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE (2021/2022 - Nil).

## 13.7. Property, plant and equipment pledged as security for liabilities

The value of the property, plant and equipment negative pledged as security against borrowings are as follows,

| Bank | Facilities Available |
|---|---|
| Public Bank Ltd | Overdraft, Import Loan and Guarantee facilities for Rs. 80 Mn. |

## 13.8. Valuation of Lands and Buildings

The Group uses the revaluation model of measurement for lands and buildings. The Group engaged Mr. Anuradha Senevirathne - MRICS (UK), FIV (Sri Lanka), an independent valuer, to determine the fair value of its lands and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on open market rates, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31st March 2019. As per the valuer's opinion, there is no significant change in the fair value as at 31st March 2023.

## 13.9. Fair value hierarchy

The fair value of the Land and Building was determined by an external independent property valuer, Mr. Anuradha Senevirathne - MRICS (UK), FIV (Sri Lanka), having appropriate recognised professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 13.11.

## 13.10. The details of freehold land and buildings which are stated at valuation are as follows;

| Location | Extent perches (Land) | Square feet (Building) | No of buildings | Method of valuation | Effective date of valuation | Name of the independent professional valuer / location and address | Revalued amount | Net book value before revaluation | Revaluation gain/(loss) |
|---|---|---|---|---|---|---|---|---|---|
| **13.10.a. Freehold Land carried at revalued amount** | | | | | | | | | |
| Factory- 195/4, Kerawalapitiya Road, Hendala Wattala | 3A-1R-2P | - | - | Market comparable method | 31-Mar-19 | Mr. Anuradha Senevirathne - MRICS (UK), FIV (Sri Lanka) | 313,260 | 130,525 | 182,735 |
| Head Office-312, Nawala Road, Rajagiriya | 18 Perches | - | - | | 31-Mar-19 | | 96,000 | 40,000 | 56,000 |
| Land-No 07, Elhena Junction, Warapalana, Udathuththiripitiya | 8A-3R | - | - | | 31-Mar-19 | No. 59/3, Urapola, Pilimathalawa, Kandy | 62,596 | 36,862 | 25,734 |
| | | | | | | | 471,856 | 207,387 | 264,469 |
| **13.10.b. Freehold buildings carried at revalued amount** | | | | | | | | | |
| Factory- 195/4, Kerawalapitiya Road, Hendala Wattala | - | 64,429 Sq.ft | 16 | Contractor's method | 31-Mar-19 | Mr. Anuradha Senevirathne - MRICS (UK), FIV (Sri Lanka) | 83,323 | 55,931 | 27,392 |
| Head Office-312, Nawala Road, Rajagiriya | - | 14,525 Sq.ft | 1 | | 31-Mar-19 | | 50,838 | 38,543 | 12,295 |
| Land-No 07, Elhena Junction, Warapalana, Udathuththiripitiya | - | 34,071 Sq.ft | 2 | | 31-Mar-19 | No. 59/3, Urapola, Pilimathalawa, Kandy | 78,324 | 73,280 | 5,044 |
| | | | | | | | 212,485 | 167,754 | 44,731 |

The two buildings which were capitalised during the year haven't been revalued.

## 13.11. Valuation techniques and significant unobservable inputs used in measuring fair value

The following table shows the valuation techniques used in measuring fair values, the significant unobservable inputs and sensitivity of the fair value measurement to changes in significant unobservable inputs .

| Property | Effective date of valuation | Valuation technique | Significant unobservable inputs | Range of estimates for unobservable inputs | Interrelationship between key unobservable inputs and fair value measurement | Sensitivity of the fair value measurement to inputs |
|---|---|---|---|---|---|---|
| **13.11 a. Freehold Land** | | | | | | |
| Factory- 195/4, Kerawalapitiya Road, Hendala Wattala | 31-Mar-19 | Market comparable method | Market value per perch | Rs. 600,000 | Positive correlated sensitivity | Estimated fair value would increase/ (decrease) if price per perch would increase / (decrease) |
| Head Office-312, Nawala Road, Rajagiriya | 31-Mar-19 | | | Rs. 5,625,000 | | |
| Land-No 07, Elhena Junction, Warapalana, Udathuththiripitiya | 31-Mar-19 | | | Rs. 45,000 | | |
| **13.11 b. Freehold buildings** | | | | | | |
| Factory- 195/4, Kerawalapitiya Road, Hendala Wattala | 31-Mar-19 | Contractor's method | Rate per square foot for building | Between Rs.1,100 - Rs. 2,000 | Positive correlated sensitivity | Estimated fair value would increase/ (decrease) if rate per square foot would increase /(decrease) |
| Head Office-312, Nawala Road,Rajagiriya | 31-Mar-19 | | | Rs. 3,500 | | |
| Land-No 07, Elhena Junction, Warapalana, Udathuththiripitiya | 31-Mar-19 | | | Between Rs.2,400 - Rs. 3,750 | | |

### 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 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 particular motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.

### Contractor's method

The valuation model considers reconstructing a new building of similar structure and design based on current market prices for material, labour and present construction techniques and thereafter adjusting the depreciation due to usage and obsolescence through market changes.

## 13.12. If Lands and Buildings were stated at historical cost, the amounts would have been as follows;

The carrying amount of Group's asset that would have been included in the Financial Statements if the asset has carried at cost less depreciation as follows,

**Freehold Land**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Cost as at 1st April | 44,256 | 44,256 | 44,256 | 44,256 |
| Carrying value as at 31st March | 44,256 | 44,256 | 44,256 | 44,256 |

**Freehold Building**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Cost as at 1st April | 196,139 | 196,139 | 196,139 | 196,139 |
| Additions during the year | 19,533 | - | 19,533 | - |
| Accumulated Depreciation | (79,372) | (72,644) | (79,372) | (72,644) |
| Carrying value as at 31st March | 136,300 | 123,495 | 136,300 | 123,495 |

## 13.13. Capital Work-in-Progress

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March,** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Balance as at 1st April | 82,257 | - | 82,257 | - |
| Additions during the Year | 87,412 | 88,584 | 87,412 | 88,584 |
| Transferred to Property, Plant and Equipment | (63,933) | (6,327) | (63,933) | (6,327) |
| Balance as at 31st March | 105,736 | 82,257 | 105,736 | 82,257 |

Capital work-in-progress represents the amount of expenditure recognised under property, plant and equipment during the construction of Stores Building in Yakkala Factory Complex.

## 14. INTANGIBLE ASSETS

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| **Cost** | | | | |
| Balance as at 1st April | 4,562 | 3,756 | 4,562 | 3,756 |
| Additions during the year | - | 806 | - | 806 |
| Balance at 31st March | 4,562 | 4,562 | 4,562 | 4,562 |
| **Accumulated Amortisation** | | | | |
| Balance at 1st April | 3,916 | 3,729 | 3,916 | 3,729 |
| Charge for the year | 162 | 187 | 162 | 187 |
| Balance at 31st March | 4,078 | 3,916 | 4,078 | 3,916 |
| **Carrying Value as at 31st March** | 484 | 646 | 484 | 646 |

Intangible assets consists of computer software acquired by the Group/Company.

## 15. INVESTMENTS IN SUBSIDIARIES

| As at 31st March | 2023 | 2022 |
|---|---|---|
| *(In Thousands of Rupees)* | | |
| Central Industries Marketing (Pvt) Limited (100,000 Ordinary Shares - 100% at cost) | - | 1,000 |
| Polymer Technologies (Pvt) Limited (100,000 Ordinary Shares - 100% at cost) | 1,000 | 1,000 |
| | 1,000 | 2,000 |

The Subsidiary Polymer Technologies (Pvt) Limited did not carry out any commercial operations and Central Industries Marketing (Pvt) Limited has been liquated during the year. The Board is of the view that there is no requirement for any provision against impairment of the investments in the Polymer Technologies (Pvt) Limited as at the reporting date based on the assessment of the net asset values.

## 16. INVENTORIES

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Raw Materials | 761,832 | 736,757 | 761,832 | 736,757 |
| Work-in-Progress | 13,927 | 30,041 | 13,927 | 30,041 |
| Finished Goods | 482,682 | 695,801 | 482,682 | 695,801 |
| Machinery Spares | 20,290 | 18,295 | 20,290 | 18,295 |
| Consumable Stock and By products | 2,661 | 1,333 | 2,661 | 1,333 |
| Goods-in-Transit | 93,317 | 115,965 | 93,317 | 115,965 |
| Less :- Provision for non-moving and slow moving Inventories (Note 16.2) | (79,845) | (34,005) | (79,845) | (34,005) |
| | 1,294,864 | 1,564,187 | 1,294,864 | 1,564,187 |

# NOTES TO THE FINANCIAL STATEMENTS

| As at 31st March<br>*(In Thousands of Rupees)* | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| **16.1.** The amount of Inventories carried at net realisable value and included above are | 47,465 | 35,193 | 47,465 | 35,193 |

## 16.2. Provision for Non-moving and Slow moving Inventories

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March**<br>*(In Thousands of Rupees)* | **2023** | **2022** | **2023** | **2022** |
| Balance as at 1st April | 34,005 | 32,565 | 34,005 | 32,565 |
| Provision recognised during the year | 45,840 | 1,440 | 45,840 | 1,440 |
| Balance as at 31st March | 79,845 | 34,005 | 79,845 | 34,005 |

## 16.3. The amount recognised in the Profit and Loss as Expense

| As at 31st March<br>*(In Thousands of Rupees)* | 2023 | 2022 | 2023 | 2022 |
|---|---|---|---|---|
| The amount of inventories recognised as an expense during the year | 2,456,800 | 4,816,078 | 2,456,800 | 4,816,078 |
| Impairment Provision for Inventories | 45,840 | 1,440 | 45,840 | 1,440 |
| (Reversal)/ Write down of obsolete rejects | (5,032) | 4,389 | (5,032) | 4,389 |

## 16.4. Facilities available from banks against a negative pledge over the Company's Inventories

| Bank | Facilities Available |
|---|---|
| Nations Trust Bank PLC | Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs.500 Million |
| Hatton National Bank PLC | Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs.950 Million |
| Commercial Bank of Ceylon PLC | Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs.1,620 Million |
| Seylan Bank PLC | Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs.1,100 Million |
| People's Bank | Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs.420 Million |
| Pan Asia Banking Corporation PLC | Short Term Loan, Overdraft, Import Loan and Guarantee facilities for Rs.270 Million |
| Sampath Bank PLC | Short Term Loan, Overdraft, Import Loan for Rs.500 Million |

# 17. TRADE AND OTHER RECEIVABLES

| As at 31st March<br>*(In Thousands of Rupees)* | GROUP<br>2023 | GROUP<br>2022 | COMPANY<br>2023 | COMPANY<br>2022 |
|---|---|---|---|---|
| Trade Receivables | **1,226,020** | 1,606,017 | **1,225,524** | 1,602,588 |
| Impairment of Trade Debtors (Note 17.1) | **(187,804)** | (47,217) | **(187,308)** | (43,788) |
| | **1,038,216** | 1,558,800 | **1,038,216** | 1,558,800 |
| Deposits | **4,190** | 6,217 | **4,190** | 6,217 |
| Advances and Prepayments (Note 17.2) | **141,589** | 196,537 | **141,589** | 196,537 |
| Other Receivables | **1,417** | 754 | **1,417** | 754 |
| | **1,185,412** | 1,762,308 | **1,185,412** | 1,762,308 |

## 17.1. Impairment of Trade Debtors

| | GROUP<br>2023 | GROUP<br>2022 | COMPANY<br>2023 | COMPANY<br>2022 |
|---|---|---|---|---|
| Balance as at 1st April | **47,217** | 38,659 | **43,788** | 33,456 |
| Provision recognised during the year | **143,602** | 13,250 | **143,602** | 13,250 |
| Write-off of previously impaired Debtors | **(3,015)** | (4,692) | **(82)** | (2,918) |
| | **140,587** | 8,558 | **143,520** | 10,332 |
| Balance at 31st March | **187,804** | 47,217 | **187,308** | 43,788 |

There is no enforcement activities relating to the write-off of debtors during the year.

**17.2.** Advances and Prepayments include the advance payment made to suppliers.

# 18. INVESTMENT VALUED AT FAIR VALUE THROUGH PROFIT AND LOSS

| As at 31st March<br>*(In Thousands of Rupees)* | GROUP<br>2023 | GROUP<br>2022 | COMPANY<br>2023 | COMPANY<br>2022 |
|---|---|---|---|---|
| Investment in Quoted Equity Securities (18.1) | **18,974** | 28,870 | **18,974** | 28,870 |
| Investment in Unit Trust (18.2) | **20,023** | 393,172 | **20,023** | 393,172 |
| | **38,997** | 422,042 | **38,997** | 422,042 |

# NOTES TO THE FINANCIAL STATEMENTS

## 18.1. Investments in Quoted Equity Securities

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | **No of Shares** | **Cost** | **Market value as at 31.03.2023** | **No of Shares** | **Cost** | **Market value as at 31.03.2022** |
| Hemas Holdings PLC | 1,295 | 73 | 84 | 1,295 | 73 | 60 |
| Lanka Wall Tiles PLC | - | - | - | 25,000 | 1,875 | 1,743 |
| Lanka Tiles PLC | 20,000 | 1,378 | 862 | 20,000 | 1,378 | 1,194 |
| Expo Lanka Holdings PLC | 75,000 | 9,323 | 10,350 | 61,000 | 6,431 | 12,673 |
| Browns Investment PLC | 340,000 | 2,862 | 2,040 | 340,000 | 2,862 | 2,244 |
| LOLC Holdings PLC | 10,500 | 5,886 | 3,938 | 10,500 | 5,886 | 6,274 |
| Royal Ceramics Lanka PLC | 61,586 | 2,641 | 1,699 | 115,000 | 4,932 | 4,681 |
| Sarvodaya Development Finance PLC | 100 | 2 | 1 | 100 | 2 | 1 |
| | | 22,165 | 18,974 | | 23,439 | 28,870 |

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | **No of Shares** | **Cost** | **Market value as at 31.03.2023** | **No of Shares** | **Cost** | **Market value as at 31.03.2022** |
| Hemas Holdings PLC | 1,295 | 73 | 84 | 1,295 | 73 | 60 |
| Lanka Wall Tiles PLC | - | - | - | 25,000 | 1,875 | 1,743 |
| Lanka Tiles PLC | 20,000 | 1,378 | 862 | 20,000 | 1,378 | 1,194 |
| Expo Lanka Holdings PLC | 75,000 | 9,323 | 10,350 | 61,000 | 6,431 | 12,673 |
| Browns Investment PLC | 340,000 | 2,862 | 2,040 | 340,000 | 2,862 | 2,244 |
| LOLC Holdings PLC | 10,500 | 5,886 | 3,938 | 10,500 | 5,886 | 6,274 |
| Royal Ceramics Lanka PLC | 61,586 | 2,641 | 1,699 | 115,000 | 4,932 | 4,681 |
| Sarvodaya Development Finance PLC | 100 | 2 | 1 | 100 | 2 | 1 |
| | | 22,165 | 18,974 | | 23,439 | 28,870 |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Balance as at 1st April | 28,870 | 18,624 | 28,870 | 18,408 |
| Purchases /(sales) during the year | (141) | 2,339 | (141) | 2,520 |
| Disposal Gain / (Loss) on sales of Quoted Equity Securities | (48) | 2,734 | (48) | 2,698 |
| Appreciation/(Provision) for Value of Investments | (9,707) | 5,173 | (9,707) | 5,244 |
| Balance as at 31st March | 18,974 | 28,870 | 18,974 | 28,870 |

## 18.2. Investments in Unit Trust

| (In Thousands of Rupees) | GROUP/COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | No of Unit | Cost | Market value as at 31.03.2023 | No of Unit | Cost | Market value as at 31.03.2022 |
| Capital Alliance Limited Income Fund | - | - | - | 18,212,327 | 367,469 | 393,172 |
| NDB Wealth Money Fund | 735,683 | 20,000 | 20,023 | - | - | - |
| | 735,683 | 20,000 | 20,023 | 18,212,327 | 367,469 | 393,172 |

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| (In Thousands of Rupees) | 2023 | 2022 | 2023 | 2022 |
| Fair value as at 1st April | 393,172 | 411,642 | 393,172 | 411,642 |
| Investments made during the year | 473,723 | 100,000 | 473,723 | 100,000 |
| Redemption made during the year | (878,676) | (148,000) | (878,676) | (148,000) |
| Disposal gain on sales of Unit Trust Investments | 31,781 | 9,469 | 31,781 | 9,469 |
| Fair value gain on remeasurement | 23 | 20,061 | 23 | 20,061 |
| Fair Value of Unit Trust as at 31st March | 20,023 | 393,172 | 20,023 | 393,172 |

# 19. ASSET HELD FOR SALE

**Assets Classified as Held for Sale**

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| (In Thousands of Rupees) | 2023 | 2022 | 2023 | 2022 |
| Current Tax Assets | - | 100 | - | - |
| | - | 100 | - | - |
| Cash and Cash Equivalents | - | 149 | - | - |
| | - | 249 | - | - |

**Liabilities Classified as Held for Sale**

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| (In Thousands of Rupees) | 2023 | 2022 | 2023 | 2022 |
| Other Payables | - | 1,224 | - | - |
| | - | 1,224 | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

## 20. CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Fixed Deposit | 385,000 | 100,000 | 385,000 | 100,000 |
| Cash in Hand | 400 | 268 | 400 | 268 |
| Cash at Bank | 62,293 | 389,805 | 62,168 | 389,531 |
| Cash and Cash Equivalents in the Statement of Financial Position | 447,693 | 490,073 | 447,568 | 489,799 |
| | | | | |
| Bank Overdraft | (39,526) | - | (39,526) | - |
| Cash and Cash Equivalents in the Statement of Cash flows | 408,167 | 490,073 | 408,042 | 489,799 |

## 21. STATED CAPITAL

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Issued and fully paid Ordinary Shares (Note 21.2) | 393,785 | 284,912 | 393,785 | 284,912 |

### 21.1. Movement in Number of ordinary shares

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| Issued ordinary shares as at the beginning of the year | 21,788,936 | 20,698,110 | 21,788,936 | 20,698,110 |
| Shares issued as a scrip dividend | 1,677,554 | 1,090,826 | 1,677,554 | 1,090,826 |
| Number of ordinary shares at 31 March | 23,466,490 | 21,788,936 | 23,466,490 | 21,788,936 |

### 21.2. Movement in Stated Capital

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Issued ordinary shares as at the beginning of the year | 284,912 | 160,831 | 284,912 | 160,831 |
| Shares issued as a scrip dividend | 108,873 | 124,081 | 108,873 | 124,081 |
| Number of ordinary shares at 31 March | 393,785 | 284,912 | 393,785 | 284,912 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

## 22. REVALUATION RESERVE

The revaluation reserve relates to freehold land and building which has been revalued by the Group.

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Balance as at 1st April | **399,914** | 401,883 | **399,914** | 401,883 |
| Depreciation on Revaluation Surplus | **(2,626)** | (2,626) | **(2,626)** | (2,626) |
| Deferred Tax on Revaluation Surplus | **657** | 657 | **657** | 657 |
| Effect of change in Deferred Tax Rate (Note 25 C) | **(56,680)** | - | **(56,680)** | - |
| Balance as at 31st March | **341,265** | 399,914 | **341,265** | 399,914 |

## 23. GENERAL RESERVE

The General Reserve represents the amount set aside by the Group/Company for future expansion and contingencies.

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| General Reserve | **100,814** | 100,814 | **100,814** | 100,814 |
| | **100,814** | 100,814 | **100,814** | 100,814 |

## 24. DEFINED BENEFIT OBLIGATIONS

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Defined benefit obligation | **64,135** | 65,033 | **64,135** | 65,033 |
| | **64,135** | 65,033 | **64,135** | 65,033 |

### 24.1. Movement in present value of the defined benefit obligations

| For the Year ended 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Defined Benefit Obligation as at 1st April | **65,033** | 68,158 | **65,033** | 68,158 |
| Included in profit or loss | | | | |
| Current Service Cost and Interest (Note 24.2) | **14,396** | 10,381 | **14,396** | 10,381 |
| Past Service Credit (Note 24.2) | **-** | (944) | **-** | (944) |
| Included in other comprehensive income | | | | |
| Actuarial Gain (Note 24.3) | **(919)** | (9,030) | **(919)** | (9,030) |
| | **78,510** | 68,565 | **78,510** | 68,565 |
| Payments during the year | **(14,375)** | (3,532) | **(14,375)** | (3,532) |
| Defined benefit obligation at 31st March | **64,135** | 65,033 | **64,135** | 65,033 |

The provision for retirement benefits obligations as at 31st March 2023 is based on the actuarial valuation carried out by professionally qualified actuaries, Mr. Pushpakumar Gunasekara, an Actuary/Associate of Institute of Actuaries of Australia, using "Projected Unit Credit" (PUC) method, the method recommended by the Sri Lanka Accounting Standard – LKAS 19 on "Employee Benefits".

The actuarial present value of the promised retirement benefits as at 31st March 2023 amounted to Rs. 64,135,094/-.

## 24.2. Amounts recognised in profit or loss

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **For the Year ended 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Current Service cost | 5,617 | 5,609 | 5,617 | 5,609 |
| Past service credit | - | (944) | - | (944) |
| Interest Cost | 8,779 | 4,772 | 8,779 | 4,772 |
| | 14,396 | 9,437 | 14,396 | 9,437 |

## 24.3. Amounts recognised in Other Comprehensive Income

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **For the Year ended 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Actuarial Gain during the year | (919) | (9,030) | (919) | (9,030) |
| | (919) | (9,030) | (919) | (9,030) |

## 24.4. Actuarial assumptions

The following are the principle assumptions used by the valuer for the valuation as at 31st March 2023.

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. Further, the salary increment rate of 14% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| Discount rate | 17.75% | 13.5% | 17.75% | 13.5% |
| Expected future salary increases | 14.0% | 10.0% | 14.0% | 10.0% |
| Staff turnover rate | 16% | 19% | 16% | 19% |
| Retirement age (Years) | 60 | 60 | 60 | 60 |
| Weighted average retirement age | 6.04 years | 5.68 years | 6.04 years | 5.68 years |

Other assumptions regarding future mortality are based on A67-70 (Ultimate) UK Assured Lives Table.
The gratuity liability is not externally funded.
It is also assumed that the Company will continue in business as a going concern.

## 24.5. Sensitivity of Assumptions Employed in the 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.

| As at 31st March | 2023 | | 2022 | |
|---|---|---|---|---|
| | Effect on defined benefit liability | Estimated defined benefit liability | Effect on defined benefit liability | Estimated defined benefit liability |
| *(In Thousands of Rupees)* | | | | |
| Discount rate | | | | |
| 1% increase in discount rate | (1,750) | 62,385 | (1,576) | 63,457 |
| 1% decrease in discount rate | 1,882 | 66,017 | 1,686 | 66,719 |
| Salary increment rate | | | | |
| 1% increase in salary increment rate | 2,190 | 66,325 | 1,988 | 67,021 |
| 1% decrease in salary increment rate | (2,068) | 62,067 | (1,888) | 63,145 |

## 24.6. Maturity analysis of payments

The following payments are expected on defined benefit obligation in future years.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| As at 31st March | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Within next 12 months | 17,929 | 21,018 | 17,929 | 21,018 |
| Between 1-2 years | 809 | 4,466 | 809 | 4,466 |
| Between 2-5 years | 20,315 | 23,376 | 20,315 | 23,376 |
| Between 5-10 years | 25,082 | 16,173 | 25,082 | 16,173 |
| | 64,135 | 65,033 | 64,135 | 65,033 |

# 25. DEFERRED TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| As at 31st March | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Deferred Tax Liabilities - Note 25.(b) | 227,512 | 135,066 | 227,512 | 135,066 |
| Deferred Tax Assets - Note 25.(a) | (99,387) | (25,709) | (99,387) | (25,709) |
| | 128,125 | 109,357 | 128,125 | 109,357 |

## 25.(a). Deferred Tax Assets

| As at 31st March, *(In Thousands of Rupees)* | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Balance at the beginning of the year | **25,709** | 24,152 | **25,709** | 24,152 |
| Provision during the year - Profit or Loss | **56,815** | 3,182 | **56,815** | 3,182 |
| Provision during the year - Other Comprehensive Income | **(276)** | (1,625) | **(276)** | (1,625) |
| Effect of change in tax rates | **17,139** | - | **17,139** | - |
| Balance at the end of the year | **99,387** | 25,709 | **99,387** | 25,709 |

## 25.(b). Deferred Tax Liabilities

| As at 31st March, *(In Thousands of Rupees)* | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Balance at the beginning of the year | **135,066** | 135,405 | **135,066** | 135,405 |
| Origination/(reversal) of temporary differences | **2,401** | (339) | **2,401** | (339) |
| Provision during the year due to rate change - Other Comprehensive Income | **56,680** | - | **56,680** | - |
| Effect of change in tax rates | **33,365** | - | **33,365** | - |
| Balance at the end of the year | **227,512** | 135,066 | **227,512** | 135,066 |

## 25.(c). Provision for the year

| For the Year ended 31st March *(In Thousands of Rupees)* | GROUP 2023 | GROUP 2022 | COMPANY 2023 | COMPANY 2022 |
|---|---|---|---|---|
| Reversal during the year recognized in Profit/(Loss) | **(54,414)** | (3,521) | **(54,414)** | (3,521) |
| Provision during the year recognized in Other Comprehensive Income | **276** | 1,625 | **276** | 1,625 |
| Effect of change in tax rates - Reversal during the year recognised in profit/ (Loss) | **16,226** | - | **16,226** | - |
| Effect of change in tax rates - Reversal during the year recognized in Other Comprehensive Income | **56,680** | - | **56,680** | - |
| Reversal during the year recognized in Comprehensive Income | **18,768** | (1,896) | **18,768** | (1,896) |

**Applicable income tax rates as per the Department of Inland Revenue**

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes based on the provision of the Inland Revenue Amendment act No 45 of 2022. The deferred tax liability is calculated at the rate of 30% (2021/2022-18%) for the Company as at 31st March 2023. The Corporate tax rate increased from 18% to 30%. This change resulted in a loss of LKR 72,904,680/- related to the remeasurement of deferred tax liability of the Company.

## 25.(d). Reconciliation of deferred tax effect on temporary differences

| As at 31st March, | 2023 | | 2022 | |
|---|---|---|---|---|
| | Temporary difference | Tax effect on temporary difference | Temporary difference | Tax effect on temporary difference |
| *(In Thousands of Rupees)* | | | | |
| GROUP / COMPANY | | | | |
| Temporary Difference on Property Plant & Equipment | **(286,041)** | (85,813) | **(278,038)** | (50,047) |
| Temporary Difference on Revaluation of Land and Buildings | **(472,329)** | (141,699) | **(472,329)** | (85,019) |
| Temporary Difference on Retirement Benefit Obligations | **64,135** | 19,241 | **65,033** | 11,706 |
| Temporary Difference on Stock Provision | **79,845** | 23,953 | **34,006** | 6,121 |
| Temporary Difference on Provision for Bad and Doubtful Debts | **187,309** | 56,193 | **43,789** | 7,882 |
| | **(427,081)** | (128,125) | **(607,539)** | (109,357) |

# 26. TRADE CREDITORS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Local Suppliers | **20,881** | 71,688 | **20,881** | 71,688 |
| Foreign Suppliers | **67,901** | 1,199,510 | **67,901** | 1,199,510 |
| Balance as at 31st March | **88,782** | 1,271,198 | **88,782** | 1,271,198 |

# 27. OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Accrued Expenses | **222,611** | 325,440 | **222,547** | 325,379 |
| Warranty Provision (Note 27.1) | **2,235** | 1,231 | **2,235** | 1,231 |
| Distributor Security Deposits | **41,362** | 46,989 | **41,362** | 46,989 |
| Other Liabilities | **54,726** | 37,315 | **54,716** | 37,339 |
| Balance as at 31st March | **320,934** | 410,975 | **320,860** | 410,938 |

## 27.1. Warranty Provision

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Balance as at 1st April | **1,231** | - | **1,231** | - |
| Provision made during the year | **2,292** | 2,951 | **2,292** | 2,951 |
| Warranty claim paid during the year | **(1,288)** | (1,720) | **(1,288)** | (1,720) |
| Balance as at 31st March | **2,235** | 1,231 | **2,235** | 1,231 |

Warranty provision is recognised for expected warranty claims of 0.5% on electrical products sales.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. LOANS AND BORROWINGS

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Current | | | | |
| Short term Loans | - | 579,706 | - | 579,706 |
| Long term Loans | 17,280 | 17,280 | 17,280 | 17,280 |
| | 17,280 | 596,986 | 17,280 | 596,986 |
| Non Current | | | | |
| Long term Loans | 18,024 | 21,984 | 18,024 | 21,984 |
| | 18,024 | 21,984 | 18,024 | 21,984 |

| As at 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Balance as at 1st April | 618,970 | 578,659 | 618,970 | 578,659 |
| Loans obtained during the Year | 279,340 | 2,429,880 | 279,340 | 2,429,880 |
| | 898,310 | 3,008,539 | 898,310 | 3,008,539 |
| Repayments during the Year | (863,006) | (2,389,569) | (863,006) | (2,389,569) |
| Balance at 31st March | 35,304 | 618,970 | 35,304 | 618,970 |
| Current | 17,280 | 596,986 | 17,280 | 596,986 |
| Non Current | 18,024 | 21,984 | 18,024 | 21,984 |
| Total Loan as at 31st March | 35,304 | 618,970 | 35,304 | 618,970 |

### 28.1. The interest rate exposure on the bank borrowings as at the reporting date are as follows :

| Loan and Borrowings | Loan Amount | Balance Amount | Interest Rate | Term and Condition |
|---|---|---|---|---|
| Long Term Loans | | | | |
| Commercial Bank Loan | 35,524 | 22,204 | 8.00% | In 60 equal monthly installment of Rs.740,000/-. |
| Sampath Bank Loan | 25,000 | 13,100 | 8.50% | In 35 monthly installment of Rs.700,000/- and final installment of Rs. 500,000/-. |
| | 60,524 | 35,304 | | |

**Short Term Loans**

Short Term Loans have been obtained for working capital financing from commercial banks and are repayable within periods ranging from two months to one year. All working capital facilities have been obtained under negative pledge on the Company's debtors and inventory.

## 28.2 Maturity Analysis :

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Within One Year | 17,280 | 596,986 | 17,280 | 596,986 |
| Between 1 and 2 years | 13,580 | 17,280 | 13,580 | 17,280 |
| Between 2 and 5 years | 4,444 | 4,704 | 4,444 | 4,704 |
| | 35,304 | 618,970 | 35,304 | 618,970 |

# 29. CURRENT TAX ASSETS/ LIABILITIES

## 29.1. Current Tax Liabilities

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Balance as at 1st April | 136,785 | 83,474 | 136,785 | 83,474 |
| Provision for the year | 168,042 | 177,065 | 168,042 | 177,018 |
| Income tax liability set off with current tax assets | 7 | (12) | - | - |
| WHT Recoverable during the year | (475) | - | (475) | - |
| Payments made during the year | (158,875) | (123,742) | (158,868) | (123,707) |
| Balance at 31st March | 145,484 | 136,785 | 145,484 | 136,785 |

## 29.2. Current Tax Assets

| | | | | |
|---|---|---|---|---|
| Income Tax Receivables | 19 | 12 | - | - |

# 30. DUE TO RELATED PARTIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Tivoli Plastics (Pvt) Ltd. | 404 | 344 | 404 | 344 |
| | 404 | 344 | 404 | 344 |

# 31. DUE TO SUBSIDIARIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March,** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Central Industries Marketing (Pvt) Ltd. | - | - | - | 5,329 |
| Polymer Technologies (Pvt) Ltd. | - | - | 1,079 | 1,070 |
| | - | - | 1,079 | 6,399 |

The above balances represent funds advanced by the subsidiary to the Company. Interest has been paid to the subsidiaries on these funds at average weighted deposit rates (AWDR) that prevailed during the year.

# 32. EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements, other than those disclosed in Note 12, in respect of proposed dividend for the year.

# 33. RELATED PARTY TRANSACTION

## 33.1. Parent and Ultimate Controlling Entity

In the opinion of Directors, Central Finance Co. PLC is the parent and Ultimate parent of the Company.

## 33.2. Transactions with Group Entities

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures" the details of which are reported below. The consideration for the goods and services provided has been paid or accrued at prices offered to unrelated customers prevailing at that time.

| Name of the Related Parties | Nature of Relationship | Nature of Transactions | Status | Transaction Value | |
|---|---|---|---|---|---|
| | | | | 31st March 2023 | 31st March 2022 |
| *(In Thousands of Rupees)* | | | | | |
| Central Finance Co. PLC | Parent Company | Interest earned from savings account | Recurrent | 36 | 25 |
| | | Dividend Paid | Recurrent | 47,999 | 72,951 |
| CF Insurance Brokers (Pvt) Ltd. | Fellow Subsidiary | Value of Insurance Premia Paid | Recurrent | 9,195 | 2,887 |
| | | Dividend Paid | Recurrent | 6,224 | 9,459 |
| CF Growth Fund Ltd. | Fellow Subsidiary | Dividend Paid | Recurrent | 198 | 302 |
| Expanded Plastic Product Ltd. | Fellow Subsidiary | Dividend Paid | Recurrent | 35 | 54 |
| Nations Trust Bank PLC. | An Associate of the Parent Company | Interest received | Recurrent | 1,512 | 1,360 |
| | | Interest and Charges Paid | Recurrent | 852 | 6,014 |
| Central Industries Marketing (Pvt) Ltd. | A wholly owned subsidiary | Interest paid on funds advanced | Recurrent | 69 | 261 |
| Polymer Technologies (Pvt) Ltd. | A wholly owned subsidiary | Interest paid on funds advanced | Recurrent | 105 | 55 |

## 33.2.(a). Due to / from Group Entities

| Name of the Related Parties | Nature of Relationship | Nature of Transactions | Status | Transaction Value | |
|---|---|---|---|---|---|
| | | | | 31st March 2023 | 31st March 2022 |
| *(In Thousands of Rupees)* | | | | | |
| Central Finance Co. PLC | Parent Company | Saving account balance as at 31 st March | Recurrent | 592 | 557 |
| Nations Trust Bank PLC. | An Associate of the Parent Company | Banking facilities in the normal course of business.<br>Short term finance (Limit of Facilities - Rs. 500 million) | Recurrent | - | 127,890 |

## 33.3. Transactions with other Related Parties

| Name of the Related Parties | Nature of Relationship | Nature of Transactions | Status | Transaction Value | |
|---|---|---|---|---|---|
| | | | | 31st March 2023 | 31st March 2022 |
| *(In Thousands of Rupees)* | | | | | |
| Tivoli Plastics (Pvt) Ltd | An entity controlled by Director - Mr. C.S.W. De Costa | Subcontract Manufacture of PVC Pipe Fittings | Recurrent | | |
| | | Value of Processing Charges paid | | **11,831** | 17,617 |
| | | Dividend Paid | | **3,386** | 5,146 |
| Amano Construction (Pvt ) Ltd | An entity controlled by Director - Mr. C.S.W. De Costa | Contract for Rs.14 Million to extend a existing factory building at Yakkala factory | Non Recurrent | **-** | 11,656 |
| | | Contract for Rs. 50 Million to construct a stores at Yakkala Factory | | | |
| | | - Advance payment made during the year | Non Recurrent | **27,773** | 20,000 |
| | | Contract for Rs. 61.77 Million to construst a Raw Material stores at Yakkala Factory | | | |
| | | - Advance payment made during the year | Non Recurrent | **27,500** | 30,000 |

All transactions negotiated and carried out in the ordinary course of business have been reviewed and approved by the Related Party Transactions Review Committee of the Company. All the transactions entered into with these related parties on an arms length basis under normal commercial terms & conditions.

**Transactions with Related Parties**

## 33.4. Key Management Personnel

According to LKAS 24 Related Party Disclosure, Key Management Personnel are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors (including Executive and Non-Executive Directors) and CEO of the Company have been classified as Key Management Personnel of the Company and the Group.

As Central Finance Co. PLC (CFC) is the ultimate parent of the Company, the Board of Directors of CFC have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly the Directors (including Executive and Non-Executive Directors) of CFC have also been classified as Key Management Personnel of the Company and the Group.

**i Loans given to Directors**

No loans have been given to the Directors of the Company.

**ii Key Management Personnel compensation**

Compensation paid to/on behalf of Key Management Personnel of the Group and Company are as follow:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **For the Year ended 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Short-term employee benefits | 22,220 | 20,250 | 22,220 | 20,250 |
| Post employment benefits | 1,980 | 1,710 | 1,980 | 1,710 |
| | 24,200 | 21,960 | 24,200 | 21,960 |

**33.5.** The Group/Company has not made any provision with respect to related party receivables as there were no such receivables at the year end. (2022-Nil)

## 33.6. Guarantees were given to/ received from related parties

There are no guarantees given to/ received from related parties

## 33.7. The transaction with Close Family Members

There were no transaction with Close Family Members during the year ended 31st March 2023. (2021/22 - Nil)

# 34. SEGMENT INFORMATION

**Basis for segmentation**

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

| Reportable segments | Operations |
|---|---|
| Water Management Products | Manufacturing and distributing of Water Management Products |
| Electrical Products | Manufacturing and distributing of Electrical Products |

| **For the Year ended 31st March** | **2023** | **2022** |
|---|---|---|
| *(In Thousands of Rupees)* | | |
| **Revenue** | | |
| Water Management Products | 3,918,971 | 6,214,570 |
| Electrical Products | 415,027 | 517,313 |
| | 4,333,998 | 6,731,883 |
| **Profit Before Taxation** | | |
| Water Management Products | 708,482 | 628,530 |
| Electrical Products | 64,561 | 47,108 |
| | 773,043 | 675,638 |

| For the year ended 31 March *(In Thousands of Rupees)* | 2023 | 2022 |
|---|---|---|
| Segment Assets & Liabilities | | |
| Total Assets | | |
| Water Management Products | 3,593,995 | 4,843,124 |
| Electrical Products | 467,057 | 421,270 |
| | 4,061,052 | 5,264,394 |
| Total Liabilities | | |
| Water Management Products | 752,627 | 2,513,384 |
| Electrical Products | 70,067 | 100,502 |
| | 822,694 | 2,613,886 |

## 35. LITIGATIONS AND CLAIMS

The Company has taken legal action to recover Rs. 16,251,741/- as at 31st March 2023. These litigations are still being heard in the courts.

## 36. CONTINGENT LIABILITIES

The Company has serviced the customer with commitment via bank guarantees of Rs. 88,142,935/-.

## 37. CAPITAL COMMITMENTS

The Board of Directors had approved to purchase capital assets totaling Rs. 113.38 million of which Rs. 106 million has been paid as an advance. The Company had no other capital commitments as at the 31 March 2023.

## 38. DIRECTORS' RESPONSIBILITIES

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

## 39. IMPACT OF CURRENT ECONOMIC CONDITION

### Current Economic Condition of the Country

"During the first half of 2022 all key sectors contracted, amid shortages of inputs and supply chain disruptions with the economic crisis. Year-on-year headline inflation reached an unprecedented 69.8 percent in September 2022, due largely to high food inflation of 94.9 percent. This reflects the impact of rising global commodity prices, monetization of the fiscal deficit and currency depreciation. From October 2022 onwards the year-on-year headline inflation rate started to drop slightly whereas in March 2023 the year-on-year inflation rate is 50.3 percent. The outlook for the global economy took a positive turn in the first half of 2023 as inflationary pressures began to ease, but ongoing political tensions and domestic challenges in key markets are slowing any return to sustained growth of the business.

Further, global energy prices returning to levels last seen prior to the invasion of Ukraine, combined with easing commodity and food prices, have helped put further downward pressure on inflation for the rest of 2023."

### Impact to the Company

The Management assessed the current economic conditions, in preparation of financial statements and is of the view that the Company has appropriate processes in place to identify and take necessary actions to minimise any unfavorable business impact. Lack of foreign exchange liquidity in the banking sector has resulted in delayed foreign supplier payments whether for capital or consumable goods creating challenges in sustaining the smooth business operations. However, Company has taken necessary measures to face such challenges to ensure continuous operations.

As per the accounting policies, the Company reviewed the carrying values of property, plant and equipment, intangible assets, inventory, trade and other receivables as at the reporting date, especially the impact of the current economic condition could have on these assets and determined that no impairment is necessary. Further, the Company also reviewed the medium term business plans and is satisfied that necessary procedures are in place to mitigate any adverse impact on the operations and to safeguard assets.

Hence, the Board of Directors, is of the view that the economic conditions in the country have not significantly impacted Company performance for the year under review. The Board is satisfied that the Company has business plans with adequate resources to continue the business and mitigate the risks for the next 12 months from the date of approval of these financial statements.

## 40. FINANCIAL INSTRUMENTS – FAIR VALUE & RISK MANAGEMENT

### 40.1. Accounting Classification & fair value

Financial Instruments are measured on an ongoing basis either at Fair Value or at Amortized Cost. The summary of significant accounting policies describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized.

The following tables analyze 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 categorized and a comparison of the carrying amounts and fair values of the financial assets and liabilities of the Company and Group which are not measured at fair value in the financial statements. The amounts are based on the values recognized in the statement of financial position.

Based on normal market conditions, the carrying value of financial assets and liabilities with shorter maturity periods have been considered as a reasonable approximation to the fair value. Accordingly, the fair value hierarchy does not apply to cash and cash equivalents, trade and other receivables, loans and borrowings, trade and other payables and amounts due to related parties and subsidiaries.

**Accounting classifications of financial instruments – Group (As at 31st March 2023)**

| As at 31st March 2023 | Financial Assets at FVTPL | Financial Assets At Amortized cost | Other Financial Liabilities | Total Carrying Amount | Fair value hierarchy | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Fair value | Level 01 | Level 02 | Level 03 |
| *(In Thousands of Rupees)* | | | | | | | | |
| Financial assets measured at Fair Value | | | | | | | | |
| Investments in Quoted Equity Securities | 18,974 | - | - | 18,974 | 18,974 | 18,974 | - | - |
| Investments in Unit Trust | 20,023 | - | - | 20,023 | 20,023 | - | 20,023 | - |
| | 38,997 | - | - | 38,997 | 38,997 | 18,974 | 20,023 | - |
| Financial assets not measured at Fair Value | | | | | | | | |
| Trade Receivables | - | 1,038,216 | - | 1,038,216 | - | - | - | - |
| Cash and Cash Equivalents | - | 447,693 | - | 447,693 | - | - | - | - |
| | - | 1,485,909 | - | 1,485,909 | - | - | - | - |
| Total | 38,997 | 1,485,909 | - | 1,524,906 | 38,997 | 18,974 | 20,023 | - |
| Financial liabilities not measured at Fair Value | | | | | | | | |
| Loans and Borrowings | - | - | 35,304 | 35,304 | - | - | - | - |
| Trade Creditors | - | - | 88,782 | 88,782 | - | - | - | - |
| Amount due to Related Parties | - | - | 404 | 404 | - | - | - | - |
| Bank Overdraft | - | - | 39,526 | 39,526 | - | - | - | - |
| Total | - | - | 164,016 | 164,016 | - | - | - | - |

**Accounting classifications of financial instruments – Group (As at 31st March 2022)**

| As at 31st March 2022 | Financial Assets at FVTPL | Financial Assets At Amortized cost | Other Financial Liabilities | Total Carrying Amount | Fair value hierarchy | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Fair value | Level 01 | Level 02 | Level 03 |
| *(In Thousands of Rupees)* | | | | | | | | |
| Financial assets measured at Fair Value | | | | | | | | |
| Investments in Quoted Equity Securities | 28,870 | - | - | 28,870 | 28,870 | 28,870 | - | - |
| Investments in Unit Trust | 393,172 | - | - | 393,172 | 393,172 | - | 393,172 | - |
| | 422,042 | - | - | 422,042 | 422,042 | 28,870 | 393,172 | - |
| Financial assets not measured at Fair Value | | | | | | | | |
| Trade Receivables | - | 1,558,800 | - | 1,558,800 | - | - | - | - |
| Cash and Cash Equivalents | - | 490,073 | - | 490,073 | - | - | - | - |
| | - | 2,048,873 | - | 2,048,873 | - | - | - | - |
| Total | 422,042 | 2,048,873 | - | 2,470,915 | 422,042 | 28,870 | 393,172 | - |
| Financial liabilities not measured at Fair Value | | | | | | | | |
| Loans and Borrowings | - | - | 618,970 | 618,970 | - | - | - | - |
| Trade Creditors | - | - | 1,271,198 | 1,271,198 | - | - | - | - |
| Amount due to Related Parties | - | - | 344 | 344 | - | - | - | - |
| Total | - | - | 1,890,512 | 1,890,512 | - | - | - | - |

**Accounting classifications of financial instruments – Company (As at 31st March 2023)**

| As at 31st March 2023 | Financial Assets at FVTPL | Financial Assets At Amortized cost | Other Financial Liabilities | Total Carrying Amount | Fair value hierarchy | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Fair value | Level 01 | Level 02 | Level 03 |
| *(In Thousands of Rupees)* | | | | | | | | |
| Financial assets measured at Fair Value | | | | | | | | |
| Investments in Quoted Equity Securities | 18,974 | - | - | 18,974 | 18,974 | 18,974 | - | - |
| Investments in Unit Trust | 20,023 | - | - | 20,023 | 20,023 | - | 20,023 | - |
| | 38,997 | - | - | 38,997 | 38,997 | 18,974 | 20,023 | - |
| Financial assets not measured at Fair Value | | | | | | | | |
| Trade Receivables | - | 1,038,216 | - | 1,038,216 | - | - | - | - |
| Cash and Cash Equivalents | - | 447,568 | - | 447,568 | - | - | - | - |
| | - | 1,485,784 | - | 1,485,784 | - | - | - | - |
| Total | 38,997 | 1,485,784 | - | 1,524,781 | 38,997 | 18,974 | 20,023 | - |
| Financial liabilities not measured at Fair Value | | | | | | | | |
| Loans and Borrowings | - | - | 35,304 | 35,304 | - | - | - | - |
| Trade Creditors | - | - | 88,782 | 88,782 | - | - | - | - |
| Amount due to Related Parties | - | - | 404 | 404 | - | - | - | - |
| Amount due to Subsidiaries | - | - | 1,079 | 1,079 | - | - | - | - |
| Bank Overdraft | - | - | 39,526 | 39,526 | - | - | - | - |
| Total | - | - | 165,095 | 165,095 | - | - | - | - |

**Accounting classifications of financial instruments – Company (As at 31st March 2022)**

| As at 31st March 2022 | Financial Assets at FVTPL | Financial Assets At Amortized cost | Other Financial Liabilities | Total Carrying Amount | Fair value hierarchy | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Fair value | Level 01 | Level 02 | Level 03 |
| *(In Thousands of Rupees)* | | | | | | | | |
| Financial assets measured at Fair Value | | | | | | | | |
| Investments in Quoted Equity Securities | 28,870 | - | - | 28,870 | 28,870 | 28,870 | - | - |
| Investments in Unit Trust | 393,172 | - | - | 393,172 | 393,172 | - | 393,172 | - |
| | 422,042 | - | - | 422,042 | 422,042 | 28,870 | 393,172 | - |
| Financial assets not measured at Fair Value | | | | | | | | |
| Trade Receivables | - | 1,558,800 | - | 1,558,800 | - | - | - | - |
| Cash and Cash Equivalents | - | 489,799 | - | 489,799 | - | - | - | - |
| | - | 2,048,599 | - | 2,048,599 | - | - | - | - |
| Total | 422,042 | 2,048,599 | - | 2,470,641 | 422,042 | 28,870 | 393,172 | - |
| Financial liabilities not measured at Fair Value | | | | | | | | |
| Loans and Borrowings | - | - | 618,970 | 618,970 | - | - | - | - |
| Trade Creditors | - | - | 1,271,198 | 1,271,198 | - | - | - | - |
| Amount due to Related Parties | - | - | 344 | 344 | - | - | - | - |
| Amount due to Subsidiaries | - | - | 6,399 | 6,399 | - | - | - | - |
| Total | - | - | 1,896,911 | 1,896,911 | - | - | - | - |

# 41. FINANCIAL RISK MANAGEMENT

**Overview**

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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 risk, and the Group's management of capital.

**Risk Management Framework**

The Group Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has delegated this function to the Director/Chief Executive Officer who develops and monitors the Group's risk management policies and reports regularly to the Board of Directors on its activities. The Group's risk management policies are established to identify and analyze the risks faced by the Group, set appropriate risk 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 Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors 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 Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## 41.1. Credit Risk

Credit risk is the risk of financial loss to the Group, if a customer or counter-party to a financial instrument fails to meet contractual obligations. Credit risk arises principally from the Group's receivables from customers and placement of deposits with banking institutions.

### 41.1.1. Exposure to credit risk

The Group's maximum exposure to credit risk as at the year end based on the carrying value of financial assets in the statement of financial position is given below. There were no off-balance sheet exposures as at the year end date.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| **For the year ended 31st March,** | **Note** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | | |
| Financial assets at fair value through Profit or Loss | | | | | |
| Investment in Quoted Equity Securities | Note 18.1 | **18,974** | 28,870 | **18,974** | 28,870 |
| Investment in Unit Trust | Note 18.2 | **20,023** | 393,172 | **20,023** | 393,172 |
| Financial assets at amortized cost | | | | | |
| Trade Receivables | Note 17 | **1,038,216** | 1,558,800 | **1,038,216** | 1,558,800 |
| Investment in Fixed Deposit | Note 20 | **385,000** | 100,000 | **385,000** | 100,000 |
| Cash at Bank | Note 20 | **62,293** | 389,805 | **62,168** | 389,531 |
| Total | | **1,524,506** | 2,470,647 | **1,524,381** | 2,470,373 |

### 41.1.2. Management of Credit Risk

**a) Trade Receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the market segment of the Group's customer base, including the default risk of the industry in which customers operate, as these factors may have an influence on credit risk.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Sales limits are established for each customer, which represents the maximum open amount without requiring further approval from the Director/ Chief Executive Officer; these limits are reviewed annually. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or on secured basis. In response to the current economic conditions, the risk management committee has also been performing more frequent reviews of sales limits for customers in regions and industries that are severely impacted.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 and 60 days for individual and corporate customers respectively. During the year ended 31st March 2023, the Group temporarily extended the credit terms to up to 60 days for specific customers with liquidity constraints arising as a direct result of the current economic conditions. All extensions were granted within current sales limits after careful consideration of the impact of the current economic conditions on the creditworthiness of the customer and each customer that was granted an extension is closely monitored for credit deterioration.

More than 84% of the Group's customers have been transacting with the Group for over four years. In monitoring customer credit risk, customers are grouped according to the credit characteristics of the market segment, including whether they are an individual or legal entity, whether they are a corporate customer or a state entity.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

The maximum exposure to credit risk for trade receivables at the end of the reporting period by type of counterparty was as follows;

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Retail Dealer Channel Customers | 476,027 | 761,745 | 475,531 | 758,316 |
| Corporate Customers | 136,918 | 171,808 | 136,918 | 171,808 |
| State Entities | 613,075 | 672,464 | 613,075 | 672,464 |
| Total Trade Receivable | 1,226,020 | 1,606,017 | 1,225,524 | 1,602,588 |

**Expected credit loss assessment for Trade Receivables**

The Company and the Group establishes an allowance for impairment that represents its estimate of expected losses in respect of Trade Receivables. Since the Company and Group operates in an environment where each customer contract is different, developing an allowance matrix as a whole would be impracticable. Therefore the Board of Directors has decided to assess each receivable separately based on the segment, age of customer relationship and historical data of payment statistics as at every reporting date.

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

| **As at 31st March 2023** | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | **Gross carrying amount** | **Loss allowance** | **Net carrying amount** | **Gross carrying amount** | **Loss allowance** | **Net carrying amount** |
| *(In Thousands of Rupees)* | | | | | | |
| 1 – 60 days | 584,377 | - | 584,377 | 584,377 | - | 584,377 |
| 61 – 182 days | 319,747 | - | 319,747 | 319,747 | - | 319,747 |
| Above 182 days | 321,896 | 187,804 | 134,092 | 321,400 | 187,308 | 134,092 |
| Total | 1,226,020 | 187,804 | 1,038,216 | 1,225,524 | 187,308 | 1,038,216 |

#### Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

| As at 31st March 2023<br>*(In Thousands of Rupees)* | GROUP | COMPANY |
|---|---|---|
| Balance at the beginning of the year | 47,217 | 43,788 |
| Impairment provision - recognized for the year | 143,602 | 143,602 |
| Written off during the year | (3,015) | (82) |
| Balance at the end of the year | 187,804 | 187,308 |

The Company has taken litigation action against their customers who have defaulted the payments as at 31st March 2023. The amount to be recorved from litigation action is Rs. 16,251,741/-.

#### b) Credit risk on financial investments

The Group is also exposed to credit risk through its financial investments. The credit worthiness of the financial instruments are assessed using the credit ratings assigned to each security and fixed deposit. This rating provides the Company the indication of the financial stability of the investment. The ratings are based on Fitch Ratings.

#### Credit quality analysis of financial investments

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| As at 31st March 2023<br>*(In Thousands of Rupees)* | 2023 | 2022 | 2023 | 2022 |
| FD Investment having credit ratings | | | | |
| A+ | 320,000 | - | 320,000 | - |
| AA+ to AA- | - | 50,000 | - | 50,000 |
| BBB to BBB- | 65,000 | 50,000 | 65,000 | 50,000 |
| | 385,000 | 100,000 | 385,000 | 100,000 |
| Unit Trust Investment having credit ratings | | | | |
| AA+ to AA- | 20,023 | 393,172 | 20,023 | 393,172 |
| | 20,023 | 393,172 | 20,023 | 393,172 |
| Cash at Bank having credit ratings | | | | |
| AA+ to AA- | - | 176,416 | - | 176,142 |
| A to A- | 15,114 | - | 14,989 | - |
| BBB to BBB- | 47,179 | 210,805 | 47,179 | 210,805 |
| CC+ to CC- | - | 2,584 | - | 2,584 |
| | 62,293 | 389,805 | 62,168 | 389,531 |

The above has been derived as per the Group's risk management policy of using the carrying values in the Statement of Financial Position. There were no off-balance sheet exposures as at the date. This does not include the exposure that would arise in the future as a result of changes in values.

**Risk response to credit risk on financial investments**

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Regularly review credit worthiness of counterparties and take necessary actions if required.
- Appropriate actions are implemented when the investments are expected to be a high credit risk.

## 41.2. 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 objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

### 41.2.1. Exposure to Liquidity Risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

**GROUP**

| As at 31st March 2023 | Total Carrying Amount | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | Total | 6 months or less | 6 - 12 months | 1 - 2 Years | More than 2 years |
| Non-derivative financial liabilities | | | | | | |
| Loans and Borrowings | 35,304 | 38,525 | 9,947 | 9,578 | 14,452 | 4,548 |
| Trade Payables | 88,782 | 88,782 | 88,782 | - | - | - |
| Other Payables | 96,088 | 96,088 | 96,088 | - | - | - |
| Amounts due to related parties | 404 | 404 | 404 | - | - | - |
| Bank Overdraft | 39,526 | 39,526 | 39,526 | - | - | - |
| | 260,104 | 263,325 | 234,747 | 9,578 | 14,452 | 4,548 |

| As at 31st March 2022 | Total Carrying Amount | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | Total | 6 months or less | 6 - 12 months | 1 - 2 Years | More than 2 years |
| Non-derivative financial liabilities | | | | | | |
| Loans and Borrowings | 618,970 | 622,772 | 589,834 | 9,752 | 18,357 | 4,829 |
| Trade Payables | 1,271,198 | 1,271,198 | 1,271,198 | - | - | - |
| Other Payables | 84,304 | 84,304 | 84,304 | - | - | - |
| Amounts due to related parties | 344 | 344 | 344 | - | - | - |
| | 1,974,816 | 1,978,618 | 1,945,680 | 9,752 | 18,357 | 4,829 |

**COMPANY**

| As at 31st March 2023 | Total Carrying Amount | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | Total | 6 months or less | 6 - 12 months | 1 - 2 Years | More than 2 years |
| **Non-derivative financial liabilities** | | | | | | |
| Loans and Borrowings | 35,304 | 38,525 | 9,947 | 9,578 | 14,452 | 4,548 |
| Trade Payables | 88,782 | 88,782 | 88,782 | - | - | - |
| Other Payables | 96,078 | 96,078 | 96,078 | - | - | - |
| Amounts due to related parties | 404 | 404 | 404 | - | - | - |
| Amounts due to subsidiaries | 1,079 | 1,079 | 1,079 | - | - | - |
| Bank Overdraft | 39,526 | 39,526 | 39,526 | | | |
| | 261,173 | 264,394 | 235,816 | 9,578 | 14,452 | 4,548 |

| As at 31st March 2022 | Total Carrying Amount | Contractual cash flows | | | | |
|---|---|---|---|---|---|---|
| *(In Thousands of Rupees)* | | Total | 6 months or less | 6 - 12 months | 1 - 2 Years | More than 2 years |
| **Non-derivative financial liabilities** | | | | | | |
| Loans and Borrowings | 618,970 | 622,772 | 589,834 | 9,752 | 18,357 | 4,829 |
| Trade Payables | 1,271,198 | 1,271,198 | 1,271,198 | - | - | - |
| Other Payables | 84,328 | 84,328 | 84,328 | - | - | - |
| Amounts due to related parties | 344 | 344 | 344 | - | - | - |
| Amounts due to subsidiaries | 6,399 | 6,399 | 6,399 | | | |
| | 1,981,239 | 1,985,041 | 1,952,103 | 9,752 | 18,357 | 4,829 |

### Management of Liquidity Risk

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. The Group has access to approved short-term financing facilities from commercial banks, if required.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables and it is estimated that the maturity of trade receivables as at the reporting date would occur in sufficient quantity and timing, given the historical trends, and currently available information which would enable the Group to meet its contractual obligations.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. As at 31st March 2023, the expected cash flows from trade and other receivables maturing within two months were Rs. 528 Mn (2021/ 2022 - Rs. 885.5 Mn.). This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

- Maintaining a diversified funding base and appropriate contingency facilities.
- Carrying a portfolio of highly liquid assets that can be readily converted into cash to protect against unforeseen short-term interruptions to cash flows.
- Monitoring liquidity ratios and carrying out stress-testing of the Company's liquidity position.
- Regular reviews of cash flow projections.
- Availability of standby overdraft facility to be used in the event of an emergency.

# NOTES TO THE FINANCIAL STATEMENTS

**Unutilised bank overdraft facilities**

As at 31st March 2023 the Group had approved overdraft facilities amounting to Rs. 220 Mn of which Rs. 17.4 Mn utilized. In addition, the Company has access to approved trade and short-term financing facilities of Rs. 5,220 Mn from commercial banks, of which Rs. 156 Mn was utilized on letter of credits/guarantees as at 31st March 2023.

## 41.3. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates that would impact Group's income or the value of investment in financial instruments. The objective of managing market risk is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Market risk principally arises from the Group's equity investments, interest-bearing financial assets and financial liabilities, and financial assets and financial liabilities denominated in foreign currencies.

### 41.3.1. Currency Risk

The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuating due to changes in foreign exchange rates. The Group is exposed to foreign currency risk on purchases, borrowings and cash deposits denominated in currencies other than the functional currency of the Group. The currencies giving rise to this risk are primarily US Dollars.

**41.3.1.1 Exposure to currency risk**

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows,

| As at 31st March, | 2023 | | 2022 | |
|---|---|---|---|---|
| | Amount in USD | Amount in LKR | Amount in USD | Amount in LKR |
| *(In Thousands of Rupees)* | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | 0.27 | 86 | 0.26 | 76 |
| | 0.27 | 86 | 0.26 | 76 |
| Financial Liability | | | | |
| Trade Payables | 202 | 67,901 | 4,012 | 1,199,510 |
| | 202 | 67,901 | 4,012 | 1,199,510 |
| Net Finance Liability exposure | 202 | 67,815 | 4,012 | 1,199,434 |

Closing average exchange rate as at 31st March 2023 is Rs. 336.01 (2021/2022- Rs. 298.99).

**41.3.1.2. Sensitivity to foreign exchange risk**

The Group, as of the reporting date, holds financial instruments denominated in currencies other than its functional/reporting currency. A reasonable possible strengthening or weakening of the US Dollar (USD) against Sri Lanka Rupee (LKR) as of the reporting date would have affected the measurement of USD denominated Assets and Liabilities and affected equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

The Group has liabilities which are to be settled in US Dollars. LKR has appreciated slightly against USD subsequent to the reporting date. As a result, the amount required to settle these liabilities would be different from the amount recorded in the financial statements as at 31st March 2023.

| (In Thousands of Rupees) | Impact on Profit or Loss | | Impact on Equity, net of tax | |
|---|---|---|---|---|
| | Strengthening | Weakening | Strengthening | Weakening |
| As at 31st March 2023 | | | | |
| Impact of change in 1% USD rate | (678) | 678 | (475) | 475 |
| Impact of change in 15% USD rate | (10,172) | 10,172 | (7,121) | 7,121 |
| As at 31st March 2022 | | | | |
| Impact of change in 1% USD rate | (11,994) | 11,994 | (9,835) | 9,835 |
| Impact of change in 15% USD rate | (179,915) | 179,915 | (147,530) | 147,530 |

**Management of Foreign exchange risk**

- The Treasury officer analyse the market condition of foreign exchange and analyses the utilisation of cash flows.
- Regularly review timing of foreign currency cash inflows and outflows and takes decisions on whether to reinvest the foreign cash flows or utilise to make the foreign currency payments.
- Looking out forward contract possibilities.

## 41.3.2 Interest rate risk

Interest rate risk mainly arises as a result of the Group having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The management monitors the sensitivities on regular basis and ensures that such risks are managed in a timely manner.

The interest rates have slightly decreased after the reporting date. This may lead to positive impact on the future profits of the Group.

### 41.3.2.1. Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows,

| As at 31st March, | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Variable interest rate | Fixed interest rate | Total | Variable interest rate | Fixed interest rate | Total |
| (In Thousands of Rupees) | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Financial Assets | | | | | | |
| Investments in Fixed Deposits | - | 385,000 | 385,000 | - | 100,000 | 100,000 |
| | - | 385,000 | 385,000 | - | 100,000 | 100,000 |
| Financial Liabilities | | | | | | |
| Loans and borrowings | - | 35,304 | 35,304 | 579,706 | 39,264 | 618,970 |
| Bank Overdraft | 39,526 | - | 39,526 | - | - | - |
| | 39,526 | 35,304 | 74,830 | 579,706 | 39,264 | 618,970 |
| Maximum exposure | 39,526 | (349,696) | (310,170) | 579,706 | (60,736) | 518,970 |

#### 41.3.2.2. Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates assuming that all other variables remain constant on the following financial liabilities. Floating rate instruments expose the Group to cash flow fluctuations.

| As at 31st March, | 2023 | | 2022 | |
|---|---|---|---|---|
| | Variable-rate | | Variable-rate | |
| | Impact on PBT | Impact on equity | Impact PBT | Impact on equity |
| *(In Thousands of Rupees)* | | | | |
| Increase in 100 basis points Financial assets / liabilities | | | | |
| Loans and borrowings | - | - | (5,797) | (4,754) |
| Bank Overdraft | (395) | (277) | - | - |
| | (395) | (277) | (5,797) | (4,754) |
| Decrease in 100 basis points Financial assets / liabilities | | | | |
| Loans and borrowings | - | - | 5,797 | 4,754 |
| Bank Overdraft | 395 | 277 | - | - |
| | 395 | 277 | 5,797 | 4,754 |

#### Management of Interest rate risk

- The Group monitors its interest rate risk exposure through periodic reviews of asset and liability positions.
- The Group is limited to obtain short term (less than 3 months) loan with variable interest rate. The Long term loans are obtained with fixed interest rate.

### 41.3.3 Equity risk

The Group's exposure to equity risk arises from its investments in equity securities. Equity risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices.

#### 41.3.3.1. Listed equity investments

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| As at 31st March | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| Investment in Quoted Equity Securities | 18,974 | 28,870 | 18,974 | 28,870 |
| | 18,974 | 28,870 | 18,974 | 28,870 |

#### 41.3.3.2. Sensitivity analysis of equity risk

The following table shows the estimated impact on profitability an equity by fluctuation of stock market prices at the reporting date, assuming that all other variables remain constant.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | Impact on PBT | | Impact on PBT | |
| As at 31st March | 2023 | 2022 | 2023 | 2022 |
| *(In Thousands of Rupees)* | | | | |
| 10% decline in stock prices | (1,897) | (2,887) | (1,897) | (2,887) |
| 10% increase in stock prices | 1,897 | 2,887 | 1,897 | 2,887 |

### Management of Equity Risk

The Group manages the equity risk through diversification and placing limits on individual and total equity portfolio investments. The Group's equity risk management policies are;

- Investment decisions are based on in-depth macroeconomic and industry analysis as well as research reports on Company performance.
- Reports on the equity portfolio are submitted to the Company's senior management on a regular basis.
- Adherence to the investment policy which includes stringent guidelines on risk exposures.

## 41.4 Operational risks

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 the risks of misselling of products and non-compliance with 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 in managing operational risk is to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness and innovation. In all cases, Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility of operational risk to the Risk Committee. The committee is responsible for the development and implementation of controls to address operational risk.

### Management of operational risk

- Segregation of duties, including the independent authorisation of transactions.
- Reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Training and professional development.
- The results of internal audit reviews are discussed, with audit committee and management.
- Compliance with the Company standards is supported by a programme of periodic reviews undertaken by internal audit.

# 42. CAPITAL MANAGEMENT

The Group's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retain earning. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| **As at 31st March** | **2023** | **2022** | **2023** | **2022** |
| *(In Thousands of Rupees)* | | | | |
| Interest bearing borrowing | | | | |
| Total Liabilities | **822,694** | 2,613,886 | **823,699** | 2,619,024 |
| Less:Cash and cash equivalents | **(447,693)** | (490,073) | **(447,568)** | (489,799) |
| Net Debt | **375,001** | 2,123,813 | **376,131** | 2,129,225 |
| Equity | **3,238,358** | 2,650,508 | **3,238,209** | 2,646,984 |
| Gearing ratio | **0.12** | 0.80 | **0.12** | 0.80 |

# SUPPLEMENTARY INFORMATION

# SHARE INFORMATION

## 1. STOCK EXCHANGE LISTING

Central Industries PLC is a Public Listed Company (Reg.PQ 121) the issued ordinary shares of which are listed on the Colombo Stock Exchange.

## 2. STATED CAPITAL

The Stated Capital of the Company as defined by the Companies Act No. 07 of 2007 was Rs. 393.7 Mn. as at 31st March 2023.

## 3. SHAREHOLDERS AS AT 31ST MARCH 2023

| | Quantity | % |
|---|---|---|
| Issued Ordinary Shares | 23,466,490 | |
| Shares held by the Parent Enterprise, Subsidiaries, Associates, Directors, and Shareholders whose holdings exceed 10% | 12,502,582 | 53.28 |
| Shares held by the public (In terms of the Rule 7.14.1(a) of the Listing Rules, the Company qualifies under option five of the minimum public holding requirement) | 10,963,908 | 46.72 |
| Number of Public Shareholders | 2,558 | |

## 4. DISTRIBUTION OF SHAREHOLDINGS AS AT 31ST MARCH 2023

| | Residents | | | Non-Residents | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Number of Shares held | No. of Share holders | No. of Shares | % | No. of Share holders | No. of Shares | % | No. of Share holders | No. of Shares | % |
| 1-1,000 | 1,643 | 385,035 | 1.64 | 4 | 740 | - | 1,647 | 385,775 | 1.64 |
| 1,001-10,000 | 734 | 2,455,669 | 10.46 | 4 | 8,283 | 0.04 | 738 | 2,463,952 | 10.50 |
| 10,001-100,000 | 164 | 4,325,103 | 18.43 | 2 | 68,085 | 0.29 | 166 | 4,393,188 | 18.72 |
| 100,001-1,000,000 | 11 | 3,450,363 | 14.70 | - | - | - | 11 | 3,450,363 | 14.70 |
| 1,000,001 & Over | 3 | 12,773,212 | 54.44 | - | - | - | 3 | 12,773,212 | 54.44 |
| Total | 2,555 | 23,389,382 | 99.67 | 10 | 77,108 | 0.33 | 2,565 | 23,466,490 | 100.00 |

# SHARE INFORMATION

## 5. TWENTY LARGEST SHAREHOLDERS

| | | 2023 | | 2022 | |
|---|---|---|---|---|---|
| | Name | No. of Shares | % | No. of Shares | % |
| 1 | Central Finance Company PLC A/C No 03 | 10,339,414 | 44.06 | 9,599,828 | 44.06 |
| 2 | CF Insurance Brokers (PVT) LTD | 1,340,596 | 5.71 | 1,244,703 | 5.71 |
| 3 | LOLC Finance PLC/V.M.S. Gavasker | 1,093,202 | 4.66 | 1,015,005 | 4.66 |
| 4 | Employee Trust Fund Board | 821,864 | 3.50 | 763,076 | 3.50 |
| 5 | Mrs. Vasudevan Saraswathi | 546,291 | 2.33 | 526,373 | 2.42 |
| 6 | Tivoli Lanka Limited | 729,419 | 3.11 | 677.244 | 3.11 |
| 7 | Seylan Bank PLC / F.J.P. Raj | 259,723 | 1.11 | 184,230 | 0.85 |
| 8 | Mr. Gihan Chandana Sumithalal Ramanayake | 225,453 | 0.96 | 99,327 | 0.46 |
| 9 | Mr. Varatharajah Sivakumar | 196,886 | 0.84 | 113,925 | 0.52 |
| 10 | Mr.Prashantha Wanigasuriya | 170,000 | 0.72 | 200,000 | 0.92 |
| 11 | DFCC Bank PLC/L.C.A. Lankeshwara | 150,000 | 0.64 | 180,000 | 0.83 |
| 12 | Hatton National Bank PLC/Ruwan Prasanna Sugathadasa | 130,684 | 0.56 | 161,189 | 0.74 |
| 13 | Seylan Bank PLC/Emile Joseph Gunesekera & Michelle Geneieve Martha Gunesekera | 117,228 | 0.50 | 113,300 | 0.52 |
| 14 | Merchant Bank of Sri Lanka & Finance PLC/F.H.T.C.Silva | 102,815 | 0.44 | 133,050 | 0.61 |
| 15 | Mrs. Sushila Padmini Gunasekera | 96,439 | 0.41 | - | - |
| 16 | Bank Of Ceylon A/C Ceybank Unit Trust | 95,118 | 0.41 | - | - |
| 17 | Mr.Nandana Arangala Withana | 79,573 | 0.34 | - | - |
| 18 | Acuity Partners (PVT) Limited / Mr. Subramaniam Vasudevan | 75,403 | 0.32 | - | - |
| 19 | Mr. Weththinge Jinadasa | 74,210 | 0.32 | - | - |
| 20 | Seylan Bank PLC/Priyantha Pushpakumara Maddumage | 73,971 | 0.32 | - | - |
| | | 16,718,289 | 71.24 | 15,011,250 | 68.89 |

## 6. SHARE TRADING DURING THE YEAR ENDED 31ST MARCH 2023

| | |
|---|---|
| Highest Price - 13th September 2022 | Rs. 107.00 |
| Lowest Price - 28th June 2022 | Rs. 49.10 |
| Last Traded Price - 31st March 2023 | Rs. 84.30 |
| No. of Trades | 19,601 |
| No. of Shares Traded | 10,764,113 |
| Value of the Shares Traded | Rs. 814,043,450 |
| Float Adjusted Market Capitalization as at 31.03.2023 | Rs. 924,226,770 |

## 7. KEY FINANCIAL RATIOS

| | 2022/23 | 2021/22 |
|---|---|---|
| Dividend per share (Rs.) | 6.00 | 5.00 |
| Dividend payout | 21.89% | 21.70% |
| Net Assets per share (Rs.) | 137.99 | 112.95 |
| No. of Shares in issue | 23,466,490 | 21,788,936 |

# FIVE YEAR SUMMARY

| Year ended 31st March<br>*(In Thousands of Rupees)* | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **Income Statement** | | | | | |
| Gross Revenue | **4,333,998** | 6,731,883 | 4,122,942 | 3,226,131 | 2,824,709 |
| Profit Before Taxation | **773,043** | 675,638 | 469,298 | 262,985 | 177,030 |
| Income Tax Expenses | **(129,854)** | (173,544) | (66,185) | (69,080) | (47,535) |
| Profit for the Year | **643,189** | 502,094 | 403,113 | 193,905 | 129,495 |
| **Statement of Financial Position** | | | | | |
| **Assets** | | | | | |
| Property, Plant and Equipment | **1,093,583** | 1,025,026 | 922,406 | 908,111 | 917,116 |
| Intangible Assets | **484** | 646 | 27 | 74 | 124 |
| Total Current Assets | **2,966,985** | 4,238,722 | 2,685,397 | 1,667,995 | 1,338,430 |
| Total Assets | **4,061,052** | 5,264,394 | 3,607,830 | 2,576,180 | 2,255,670 |
| **Equity and Liabilities** | | | | | |
| Share Capital | **393,785** | 284,912 | 160,831 | 121,320 | 121,320 |
| Reserves | **2,844,573** | 2,365,596 | 2,021,159 | 1,653,789 | 1,508,570 |
| Total Equity | **3,238,358** | 2,650,508 | 2,181,990 | 1,775,109 | 1,629,890 |
| | | | | | |
| Deferred Taxation | **128,125** | 109,357 | 111,253 | 187,772 | 189,687 |
| Retirement Benefit Obligation | **64,135** | 65,033 | 68,158 | 54,775 | 50,624 |
| Loans and Borrowings | **18,024** | 21,984 | - | - | - |
| Total Current Liabilities | **612,410** | 2,417,512 | 1,246,429 | 558,524 | 385,469 |
| Total Equity and Liabilities | **4,061,052** | 5,264,394 | 3,607,830 | 2,576,180 | 2,255,670 |
| Earnings Per Share (Rs.) | **27.41** | 21.40 | 19.48 | 9.37 | 6.55 |
| Net Assets Per Share (Rs.) | **137.99** | 112.95 | 105.42 | 89.80 | 82.45 |
| Dividend Per Share (Rs.) | **6.00** | 5.00 | 8.00 | 4.00 | 2.50 |
| Price Earning ratio | **3.06** | 4.26 | 5.29 | 3.50 | 4.31 |
| Dividend yield | **7.12%** | 5.10% | 7.80% | 12.20% | 8.87% |
| Dividend payout | **21.89%** | 21.70% | 41.07% | 40.78% | 38.16% |
| Price to book value | **0.71%** | 0.81% | 0.98% | 0.38% | 0.34% |

# OUR CORPORATE CUSTOMERS

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Forty First (41st) Annual General Meeting of Central Industries PLC be held online via a virtual platform on this 28th day of June 2023 at 3.00 p.m., for the following purposes:

1. To receive and consider the Annual Report of the Board together with the Financial Statements of the Company for the year ended 31st March 2023 and Report of the Auditors thereon.

2. To declare a final dividend as recommended by the board of directors and to consider and if thought fit, to pass the following resolutions:

   **ORDINARY RESOLUTION - DISTRIBUTION OF A FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2023**

   **IT IS HEREBY RESOLVED THAT**

   (i) a final dividend of Rupees Six (LKR 6/-) per share consisting of Rupees Three (LKR 3/-) per share by way of a cash dividend and Rupees Three (LKR3/-) per share by way of a scrip dividend amounting to a total dividend of Rupees One Hundred and Forty Million Seven Hundred and Ninety Eight Thousand Nine Hundred and Forty (LKR 140,798,940/-) be paid on the issued and fully paid shares of the Company, for the financial year ended 31st March 2023.

   (ii) shareholders entitled to the final dividend shall be those shareholders, whose names have been duly registered in the Register of Shareholders of the Company and those shareholders whose names appear on the Central Depository Systems (Private) Limited ('CDS') as at end of trading on the entitlement date (which shall be the third (3rd) market day from and excluding the date of the Annual General Meeting (the "Record Date")(the "Entitled Shareholders").

   (iii) the maximum number of shares to be issued as a net of tax scrip dividend shall be by the issue of a maximum of Seven Hundred and Twenty Nine Thousand Seven Hundred and Fifty (729,750) new ordinary shares in the Company computed on the basis of the following formula and issued at a consideration of Rupees Eighty Two (Rs. 82) per each new share.

   $$\text{Number of shares to be issued to each shareholder} = \text{Number of shares held as at end of trading on the Record Date} \times \frac{1}{32.15687}$$

   (iv) the number of shares to be eventually issued as scrip dividend shall depend on the number of residual fractions arising from the scrip dividends after applying the aforesaid formula and the residual fractions arising from the scrip dividend shall be disregarded in entirety and the value of such fractions (computed on the basis of the aforesaid consideration for the shares to be issued) shall be paid by cheque to the shareholders.

   (v) the new shares to be issued by way of scrip dividend shall immediately consequent to the allotment thereof to the entitled shareholders rank equal and pari passu in all respects with the existing issued and fully paid ordinary shares of the Company and shall be listed on the Colombo Stock Exchange.

   (vi) the new shares to be so allotted and issued shall not be eligible for the payment of dividend declared hereby.

   (vii) accordingly the management and secretaries of the Company be and are hereby authorised to attend to all matters pertaining to the aforesaid final dividend paid by way of cash dividend and scrip dividend.

3. To propose the following resolution as an ordinary resolution for the reappointment of Mr. A. Hettiarachchy who has reached the age of 74 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. A. Hettiarachchy who has reached the age of 74 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".

4. To propose the following resolution as an ordinary resolution for the reappointment of Ms. I.S. Jayasinghe who has reached the age of 75 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Ms. I.S. Jayasinghe who has reached the age of 75 years prior to this Annual General Meeting and that she be reappointed as a director of the Company".

5. To propose the following resolution as an ordinary resolution for the reappointment of Mr. C.S.W.De Costa who has reached the age of 71 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. C.S.W. De Costa who has reached the age of 70 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".

6. To re-elect Mr. D.T.R. De Silva a director who retires by rotation in terms of Article 85 of the Articles of Association of the Company.

7. To re-elect Mr. G.S.N. Peiris a director who retires by rotation in terms of Article 85 of the Articles of Association of the Company.

# NOTICE OF MEETING

8. To re-appoint M/s KPMG, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the Financial Statements of the Company for the accounting period ending 31st March 2024.

9. To authorize the Directors to determine contributions to charities for the ensuing year.

By Order of the Board,

**Corporate Services (Private) Limited**
*Secretaries*
Central Industries PLC

Colombo on this 02nd day of June 2023

**Note:**

Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company. A completed form of proxy must be deposited at the registered office of the Company, at No.312, Nawala, Road, Rajagiriya or e-mailed to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.

**Meeting Guidelines**

(A) The meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and the health authorities and as per the applicable laws.

(B) In the interest of protecting public health and facilitating social distancing in line with the guidelines issued by the Ministry of Health, Nutrition and Indigenous Medicine, the Annual General Meeting will be held in the manner set out below:

(i) The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio and visual means via Zoom. In order for us to forward the access information necessary for participation at the meeting, which shall include the meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your e-mail address and contact telephone number to the registered address of the Company not less than 48 hours before the time appointed for the holding of the meeting, so that the login information could be forwarded to the e-mail addresses so provided.

These measures have been adopted to observe social distancing regulations/requirements to mitigate the dangers of spread of the virus.

(ii) If the Company is unable to post this Notice due to any situation beyond its control, then this Notice will be published in one issue of a daily newspaper in the Sinhala, Tamil and English languages and if the circumstances permit, in one issue of the Gazette. The Annual Report, Notice of Meeting, Form of Proxy and Registration Form will also be published on the website of the Colombo Stock Exchange (https://www.cse.lk) and the website of the Company (https://www.nationalpvc.com ).

(iii) In terms of circular no. 4 of 2022 from the Colombo Stock Exchange, the Company will not be sending printed copies of the Annual Reports to the shareholders.

Proxy forms together with the Notice of Meeting and Registration form have been uploaded to the Company's website (https://www.nationalpvc.com) and should be duly completed as per the instructions given therein and sent to the registered address of the Company or e-mailed to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting and the proxy so appointed shall participate at the meeting through audio or audio visual means only.

(iv) The shareholders who are unable to participate at the Annual General Meeting via Zoom could send their queries, if any, to email address agm@nationalpvc.com at any time before the meeting time and the responses to the same will be included in the minutes of the meeting.

(v) Voting in respect of the items in specified in the agenda to be passed will be registered by using the audio or audio and visual means (Zoom) or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the meeting.

(vi) Shareholders can use the "Q&A Forum" to communicate your questions/concerns as and when required.

(vii) For any questions, please contact Mr. Mahesh Amaradasa -0707314021/ Mr. Sumitha Fernando – 0707314052 of Central industries PLC during office hours.

# NOTES

# NOTES

# FORM OF PROXY

*I/We ........................................................................................................................................................................................................

of ............................................................................................................................................................................................................
being *a member/members of CENTRAL INDUSTRIES PLC do hereby appoint

| | | |
|---|---|---|
| 1. | Mr.G.S.N. Peiris | or failing him, |
| 2. | Mr.E.H. Wijenaike | or failing him, |
| 3. | Mr.A.K. Gunaratne | or failing him, |
| 4. | Mr.C.S.W.De Costa | or failing him, |
| 5. | Ms.I.S.Jayasinghe | or failing her, |
| 6. | Mr.A.Hettiarachchy | or failing him, |
| 7. | Mr.C.S.Hettiarachchi | or failing him, |
| 8. | Mr.D.T.R.De Silva | or failing him, |
| 9. | Mr.I.M.P.Rupatunge | or failing him, |

....................................................................................................................................................................................................... of

............................................................................................................................................................................................................
as *my/our Proxy to vote/speak for me/us on *my/our behalf at the 41st Annual General Meeting of the Company to be held on the 28th day of June 2023 at 3.00 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 together with the Financial Statements of the Company | | |
| 2. | To approve a final dividend as authorized by the Directors | | |
| 3. | To re-appoint as a Director Mr.A.Hettiarachchy in terms of section 210 of the Companies Act No.07 of 2007 | | |
| 4. | To re-appoint as a Director Ms .I.S. Jayasinghe in terms of section 210 of the Companies Act No.07 of 2007 | | |
| 5. | To re-appoint as a Director Mr. C.S.W.De Costa in terms of section 210 of the Companies Act No.07 of 2007 | | |
| 6. | To re-elect Mr. D.T.R.De Silva as a director who retires in terms of Article 85 of the Articles of Association of the Company | | |
| 7. | To re-elect Mr.G.S.N.Peiris who retires in terms of Article 91 of the Articles of Association of the Company | | |
| 8. | To re-appoint M/s KPMG, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed with by the Board of Directors and to audit the financial statements of the Company for the accounting period ending 31st March 2024. | | |
| 9. | To authorize the Directors to determine contributions to charities | | |

Signed this ...................................................... day of ...................................................... Two Thousand and Twenty Three.

.......................................................
*Signature/s*

**Note:** Please delete the inappropriate words
Instructions as to completion are noted on the reverse hereof.

# FORM OF PROXY

**INSTRUCTIONS AS TO COMPLETION**

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.

2. A Member entitled to attend and vote/speak at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.

3. In the case of a Corporate Member, the Form must be completed under its Common Seal, or signed by its attorney or by an officer on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.

4. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by Articles of Association.

5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No.312, Nawala Road, Rajagiriya not less than forty eight (48) hours before the appointed time for the Meeting.

# CORPORATE INFORMATION

## NAME OF COMPANY
Central Industries PLC

## LEGAL FORM
A Public Limited Liability Company Incorporated in Sri Lanka

## DATE OF INCORPORATION
18th September 1984

## COMPANY REGISTRATION NUMBER
PQ 121

## ULTIMATE PARENT COMPANY
Central Finance Company PLC

## SUBSIDIARY COMPANY
Polymer Technologies (Pvt.) Ltd. (Reg. No. PV 2468)

## DIRECTORS
Mr. G.S.N. Peiris – Chairman
Mr. E.H. Wijenaike
Mr. C.S.W. De Costa
Mr. A.K. Gunaratne
Mrs. I.S. Jayasinghe
Mr. A. Hettiarachchy
Mr. C.S. Hettiarachchi
Mr. D.T.R De Silva
Mr. I.M.P. Rupatunge (CEO)

## HEAD OFFICE AND REGISTERED OFFICE
No. 312, Nawala Road,
Rajagiriya, Sri Lanka
Telephone : +94-11-7421421
Fax: +94-11-7421432
E-mail: info@nationalpvc.com
Website: www.nationalpvc.com

## SECRETARIES
Corporate Services (Private) Limited
216, De Saram Place, Colombo 10.

## AUDITORS
KPMG, Chartered Accountants
32 A, Sir Mohamed Macan Marker Mawatha,
Colombo 03.

## BANKERS
Hatton National Bank PLC
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Public Bank PLC
Seylan Bank PLC
Bank Of Ceylon
Bank Of China Limited
Pan Asia Banking Corporation PLC
People's Bank
National Development Bank PLC

Designed & Produced by
mediaWIZE®
Annual Reports

**Central Industries PLC**
No. 312, Nawala Road, Rajagiriya, Sri Lanka.