



# ANNUAL REPORT

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2021 | 2022

**ACME PRINTING & PACKAGING PLC**

*Excellence in Printing & Packaging Redefined*



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## ABOUT US

We are a public quoted company and the leading flexible packaging manufacturer in Sri Lanka, providing quality flexible packaging solutions for a period spanning nearly 73 years. Our continuous efforts to enhance our standards have resulted in the Company achieving the ISO certification since year 2000 and today we are an ISO: 9001-2015, ISO: 22000-2018, FSMS, Q.M.S and FSSC-22000 Version 5.1 certified Company.



## ACME VISION

To be the preferred dynamic provider of flexible packaging solutions.



## ACME MISSION

To become the major supplier of packaging material in Sri Lanka and be the leader of our chosen business through continuous search for Excellence.

# CORPORATE INFORMATION

## **NAME OF THE COMPANY**

ACME Printing and Packaging PLC

## **LEGAL FORM**

A Public Quoted Company with limited liability incorporated Under the provisions of Companies Act No. 7 of 2007.

## **DATE OF INCORPORATION**

20<sup>th</sup> December 1949

## **COMPANY REGISTRATION NO.**

PQ 196

## **SUBSIDIARY COMPANY**

ACME Packaging Solutions (Private) Limited  
A Fully owned Subsidiary Company with limited liability incorporated Under the provisions of Companies Act No. 7 of 2007.

## **DATE OF INCORPORATION**

12<sup>th</sup> October 2006

## **COMPANY REGISTRATION NO.**

PV 7432

## **DIRECTORS**

1. A. Hettiarachchy  
*Appointed as Executive Chairman on 15<sup>th</sup> January 2022*
2. S. D. R. Arudpragasam
3. A. Rajaratnam
4. P. S. Goonewardene
5. G. K. B. Dasanayaka
6. A. C. S. Jayaranjan
7. P. M. A. Sirimane
8. J. M. Swaminathan
9. R. Seevaratnam

## **REGISTERED OFFICE**

#98, Sangaraja Mawatha,  
Colombo 10.

Tel : +94 - 11 - 5566000

Fax : +94 - 11 - 2807480

E-mail: [info@acmelk.com](mailto:info@acmelk.com)

Web : [www.acmelk.com](http://www.acmelk.com)

## **FACTORIES**

### **Factory & Office - Piliyandala**

#318, Gonamaditta Road, Piliyandala, Sri Lanka.

Tel : +94 11 4368468, +94 - 11 - 4641818

Fax : +94 11 4209830,

E-mail: [info@acmelk.com](mailto:info@acmelk.com)

### **Factory & Office - Pannala**

Katugampola Industrial Estate (West)  
Makandura, Gonawila, Sri Lanka

Tel : +94 31 2298201-2,

Fax : +94 31 2298165,

E-mail: [solutions@acmelk.com](mailto:solutions@acmelk.com)

## **SECRETARIES**

S S P Corporate Services (Private) Limited  
101, Inner Flower Road,  
Colombo 03.

## **EXTERNAL AUDITORS**

KPMG,  
Chartered Accountants,  
P. O. Box 186,  
Colombo 03.

## **BANKERS**

1. National Development Bank PLC
2. Hatton National Bank PLC
3. Sampath Bank PLC
4. Seylan Bank PLC
5. Nations Trust Bank PLC
6. People's Bank
7. Commercial Bank of Ceylon PLC

## **LAWYERS**

Julius & Creasy  
No. 371, R.A. de Mel Mawatha,  
Colombo 03.

# NOTICE OF MEETING

## ACME PRINTING AND PACKAGING PLC

Notice is hereby given that the 73<sup>rd</sup> Annual General Meeting of Acme Printing and Packaging PLC (the Virtual AGM) will be held via online meeting platform (Zoom app) on 26<sup>th</sup> September 2022 at 1.00 p.m. for the purpose of transacting the following items of business:

### AGENDA

1. To receive and consider the Audited Financial Statements for the year ended 31<sup>st</sup> March 2022 together with the Annual Report of the Board of Directors and of the Auditors thereon.
2. To re-elect as a Director Mr. A. Rajaratnam, who retires in terms of Article No.91 of the Articles of Association as recommended by the Board of Directors.
3. To re-elect as a Director Mr. P.S. Goonewardene, who retires in terms of Article No. 91 of the Articles of Association as recommended by the Board of Directors.
4. To re-elect as a Director Mr. P.M.A. Sirimane, who retires in terms of Article No.91 of the Articles of Association as recommended by the Board of Directors.
5. To re-elect as a Director Mr. G.K.B. Dasanayaka, who retires in terms of Article No 91 of the Articles of Association as recommended by the Board of Directors.
6. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Dr. J.M. Swaminathan, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.7 of 2007; and whose reappointment is recommended by the Board of Directors

### ORDINARY RESOLUTION

“That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Dr. Jayantha Mootatamby Swaminathan, Director who is 81 years of age (having reached 70 years of age on 9<sup>th</sup> January 2011) and accordingly that Dr. Jayantha Mootatamby Swaminathan be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007”.

7. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Mr. R. Seevaratnam, as a Director who is over 70 years of age, in compliance

with Section 211 of the Companies Act No.7 of 2007; and whose reappointment is recommended by the Board of Directors.

### ORDINARY RESOLUTION

“That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Mr. Ranjeevan Seevaratnam, Director who is 78 years of age (having reached 70 years of age on 24<sup>th</sup> September 2013) and accordingly that Mr. Ranjeevan Seevaratnam be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007”.

8. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Mr. A. Hettiarachchy, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.7 of 2007; and whose reappointment is recommended by the Board of Directors.

### ORDINARY RESOLUTION

“That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Mr. Ariyawansa Hettiarachchy, Director who is 73 years of age (having reached 70 years of age on 21<sup>st</sup> January 2019) and accordingly that Mr. Ariyawansa Hettiarachchy be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007”.

9. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Mr. S.D.R. Arudpragasam, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.7 of 2007; and whose reappointment is recommended by the Board of Directors.

### ORDINARY RESOLUTION

“That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Mr. Sri Dhaman Rajendram Arudpragasam, Director who is 71 years of age (having reached 70 years of age on 16<sup>th</sup> August 2021) and accordingly that Mr. Sri Dhaman Rajendram Arudpragasam be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007”.

10. To consider and if thought fit to pass the following Ordinary Resolution pertaining to the re-appointment of Mr. A.C.S. Jayaranjan, as a Director who is over 70 years of age, in compliance with Section 211 of the Companies Act No.7 of 2007; and whose reappointment is recommended by the Board of Directors

## ORDINARY RESOLUTION

"That the age limit of 70 years referred to in Section 210 of the Companies Act, No.7 of 2007 shall not apply to Mr. Anthony Crossette Selvanayagam Jayaranjan, Director who is 72 years of age (having reached 70 years of age on 8<sup>th</sup> October 2019) and accordingly that Mr. Anthony Crossette Selvanayagam be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No.7 of 2007".

11. KPMG, Chartered Accountants who are deemed to have been re-appointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.
12. To authorise the Board of Directors to determine contributions to charities.

**By Order of the Board of Directors of  
ACME Printing & Packaging PLC.**

(Sgd.)

**S S P CORPORATE SERVICES (PRIVATE) LIMITED**  
SECRETARIES

Colombo  
30<sup>th</sup> August 2022

1. A shareholder entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy to attend and vote instead of him/her. Such proxy need not be a Shareholder of the Company.
2. A Form of Proxy is enclosed.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company, No.98, Sri Sangaraja Mawatha, Colombo 10, not later than 48 hours before the time appointed for the holding of the meeting.

## BOARD OF DIRECTORS

### MR. A. HETTIARACHCHY

[C.ENG, MIEE, MIPRODE, MICHEME]

#### Executive Chairman

Appointed to the Board on 12<sup>th</sup> January 2022

Appointed as Executive Chairman on 15<sup>th</sup> January 2022.

Mr. A. Hettiarachchy is a Chartered Chemical Engineer. He is Chairman of the Board of ISL Services Limited, Chairman of LOLC Advanced Technologies (Private) Limited, Deputy Chairman of Lankem Ceylon PLC, and a Director of Sri Lanka Institute of Nano Technology. He is a Board Member of Central Industries PLC and serves as the Chairman of its Audit Committee. He has served on the Boards of Richard Pieris Finance Ltd, Hayleys PLC and functioned as Managing Director on the Boards of Haycarb PLC, Recogen Limited and Puritas Limited, and also served on several other subsidiaries of Haycarb PLC and Hayleys PLC both, in Sri Lanka and Overseas.

He was also a Board Member of the National Science Foundation, Coconut Research Institute, Member of the National Nano Committee, Chief of Research and Engineering Systems – Sri Lanka Institute of Nano Technology, and a member of several advisory Boards of the NSF.

### MR. S. D. R. ARUDPRAGASAM

[FCMA (UK)]

#### Non-Executive Director

Appointed to the Board on 12<sup>th</sup> January 2022

Mr. S. D. R. Arudpragasam whilst being associated with The Colombo Fort Land & Building Group of companies since 1982 and having served on the Board of The Colombo Fort Land & Building PLC (CFLB) since the year 2000 and as Deputy Chairman up to end June 2022 was appointed Chairman CFLB with effect from 1<sup>st</sup> July 2022. He also serves as Chairman of several subsidiaries of CFLB and holds the position of Chairman, Lankem Ceylon PLC and Chairman/Managing Director of E.B. Creasy & Company PLC in addition to holding other Directorships within the CFLB Group. Mr. Arudpragasam is Fellow of the Chartered Institute of Management Accountants (U.K.)

### MR. ANUSHMAN RAJARATNAM

[B.SC (HONS.), CPA, MBA]

#### Non-Executive Director

Appointed to the Board on 30<sup>th</sup> November 2021.

Mr. Anushman Rajaratnam He is at present the Group Managing Director of The Colombo Fort Land & Building PLC (CFLB). In addition, he serves on the Boards of several subsidiary companies of the CFLB Group. Prior to joining the CFLB Group, he worked overseas for a leading global Accountancy Firm.

### MR. SUREN GOONEWARDENE

[BBA(AUS.), CPA (AUS.), FCMA (SL), FCIM (UK)]

#### Non-Executive Director

Appointed to the Board on 30<sup>th</sup> November 2021.

Mr. Suren Goonewardene holds a bachelor's degree in Business Accounting from Monash University Australia, Member of the Certified Practicing Accountants-Australia and is a Fellow Member of the Chartered Institute of Marketing U.K. and Certified Management Accountants of Sri Lanka.

He has functioned in the capacity of Chairman and Managing Director, Bharti Airtel Lanka Limited, Chief Operating Officer, Dialog Television and Fixed Line Services, Group Managing Director, Lanka Bell Limited, and has also served on the Boards of Ceylon Shipping Corporation and the Civil Aviation Authority of Sri Lanka. He was a Council Member of the Employers' Federation of Ceylon and a former Vice President of the Indian Chamber of Commerce in Sri Lanka. He currently serves as Managing Director of Lankem Ceylon PLC and on the Boards of Associated Motor Finance PLC, First Guardian Equities Limited and Dawi Investment Trust (Private) Limited.

Mr. Goonewardene's experience spans across multiple industries and possess expertise in the fields of Telecommunication, Information Technology, Strategic Planning, Organizational Restructuring, Investment/Credit Management, Finance, Marketing & Sales, General Management and Business Consultancy.

### MR. G. K. B. DASANAYAKA

{Attorney-at-Law}

#### Independent Non-Executive Director

Appointed on the Board on 15<sup>th</sup> May 2015.

Mr. Gotabaya Dasanayaka an Attorney at Law by profession, worked for the International Labour Organization (ILO) as the Senior Specialist, Employers Activities for the South Asian Region from 2007 to February 2015.

Prior to joining the ILO he worked with the Employers' Federation of Ceylon (EFC) from 1979 and was the Director-General / CEO from 2000 to 2006. While at the EFC he specialized in Employment Law and Relations and had firsthand experience in dealing with key stakeholders on major labour issues, at operational and policy level.

Since his retirement from the ILO he provides consultancy services in Employment Law and Employee Relations.

Mr. G.K.B. Dasanayake resigned w.e.f. 28<sup>th</sup> September 2021 and reappointed w.e.f. 08<sup>th</sup> December 2021.

### **MR. A. C. S. JAYARANJAN**

[FCA, FCMA (UK), CGMA]

#### **Independent Non-Executive Director**

Appointed to the Board on 12<sup>th</sup> January 2022

Mr. A. C. S. Jayaranjan started his career as a professional at KPMG. Thereafter he has been working for over forty years in the commercial and industrial sectors at senior managerial level. He was the Chief Accountant at James Finlay & Company PLC and Deputy Chief Executive Officer/ Executive Director Shaw Wallace & Hedges PLC.

Mr. Jayaranjan then joined as the Group Finance Director of Pership Group and later joined John Keells Holdings PLC, as Senior Vice President, Head of Learning & Development. His experience covers diverse areas in commerce and industry. Mr. Jayaranjan is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, and a Fellow Member of the Chartered Institute of Management Accountants (UK). He was a visiting lecturer for post graduate programs in management and finance.

### **MR. P.M.A. SIRIMANE**

[FCA, MBA]

#### **Non-Executive Director**

Appointed to the Board on 30<sup>th</sup> November 2021.

Mr. P.M.A. Sirimane joined the E B Creasy Group in October, 2009 and was appointed to the Board of E.B. Creasy & Company PLC in November 2009 and also appointed to the Board Lankem Ceyon PLC on 1<sup>st</sup> September 2017. Amongst other senior positions he has functioned as Managing Director/CEO of Mercantile Leasing Limited, Group Finance Director of United Tractor & Equipment Limited, Chief Financial Officer, Sri Lanka Telecom Limited and Director SLT Hong Kong Limited. He has served as a Member of several Committees of the Institute of Chartered Accountants of Sri Lanka and was an ex-officio member of the International Leasing Association. Mr. Sirimane also serves as Group Finance Director of The Colombo Fort Land & Building PLC (CFLB) in addition to serving on the Boards of several subsidiaries of the CFLB Group.

### **DR. J. M. SWAMINATHAN**

[Attorney-at-Law, LLB(Ceylon), LLM, M.Phil.(Colombo) and LLD(Honoris Causa)]

#### **Independent Non-Executive Director**

Appointed on the Board in August 2011.

Appointed as Acting Non-Executive Chairman on 29<sup>th</sup> July 2021 and ceased w.e.f 15<sup>th</sup> January 2022

Dr. J. M. Swaminathan is an Attorney-at-Law with over 55 years in practice. He was the former Senior Partner of Messrs. Julius & Creasy. He is a Member of the Office for Reparations Sri Lanka. He has served as a Member of the Law Commission of Sri Lanka and Member of the Council of Legal Education and the Council of the University

of Colombo. He is also a Member of the Company Law Advisory Commission and The Intellectual Property Law Advisory Commission. He is the Chairman of the Studies of the Council of Legal Education and also a Consultant at the Institute of Advanced Legal Studies of the Council of Legal Education. He is a Member of the Visiting Faculty of the LLM Course of the University of Colombo. He also serves on the Boards of several public and private companies.

### **MR. R. SEEVARATNAM**

[B.Sc.(Lond.), FCA(Eng. and Wales), FCA(ICASL)]

#### **Non-Executive Director**

Appointed on the Board in December 2006.

Former Senior Partner of Messrs KPMG, Chartered Accountants. Graduated from the University of London, majoring in Botany and Zoology. Fellow of the Institute of Chartered Accountants of England and Wales and Fellow of the Institute of Chartered Accountants of Sri Lanka. He is also presently on the Board of several quoted and unquoted companies.

Mr. R. Seevaratnam ceased to be an Executive Director w.e.f 3<sup>rd</sup> May 2019 and has been appointed as a Non-Executive Director w.e.f. 3<sup>rd</sup> May 2019.

### **MR. SANJEEV KUMAR**

#### **Non-Executive Director**

Appointed on the Board on 1<sup>st</sup> May 2015

Mr. Sanjeev Kumar has a degree in Mechanical Engineering from Indian Institute of Technology, Delhi, and Diplomas in Foreign Trade and Business Administration. He has over 45 years of experience across spectrum of industries and countries, encompassing power generation and distribution equipment, auto components, aluminum extrusions and architectural facades, building material, packaging, plastic injection moulding and pipe extrusion, building envelope solutions, insulated panels and edutainment based theme parks.

He has held leadership positions across different companies around the globe – from CEO of Emtelle Group, headquartered in the UK to Managing Director of A-D Technologies Asia and Africa, Regional Head of Mainetti Group. He has been instrumental in expanding business across product groups and regions, setting up green field companies, joint ventures and global alliances. He has successfully lead cross cultural teams in executing major projects in India, South East Asia, Middle East and Africa. Mr. Sanjeev Kumar is currently the Regional Head of Metecno Group Asia, Head of Cyklop Group India, and Grip Strapping Technologies, India. He is also on the boards of several companies as an Independent Director.

Mr. Sanjeev Kumar resigned from the Board w.e.f 01<sup>st</sup> December 2021.

## CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2021 began with expectations of recovery from the prolonged COVID-19 Pandemic and related crisis. Key economic sectors showed growth, and daily life and the business environment slowly but steadily turned to normalcy. The adoption of the "new normal" environment coupled with the island-wide vaccination campaign, as well as policy incentives offered by the GOSL and CBSL to support businesses and individuals affected by the pandemic contributed to this positive change.

The already weakened economy following the year-long pandemic however, faced the same fate again with COVID-19 striking ferociously during the latter part of 2021. The previously seen growth impetus suffered a setback with signs of a severe impending economic crisis. Acute international debt sustainability issues driven by a lack of foreign reserves, the substantial depreciation of the Sri Lankan Rupee against the US Dollar led to skyrocketing inflation and price hikes in essential items and commodities; leading to national fuel shortages and long hours of "power cuts" as well.

It was at this critical juncture that the "Lankem Group" acquired control of ACME Printing and Packaging PLC with the sole aim of converting it to a valued and profitable entity, leveraging on prevailing market opportunities.

Notwithstanding this difficult environment, we can when scrutinising the Company's performance over the last financial year be hopeful and confident of placing our business on a profitable path, aided by prudent strategic interventions.

As in the case of many other businesses, the macroeconomic implications earlier referred to, had a massive impact on our own operations as well. Our company is totally dependent on imported raw materials suffered badly in sourcing raw material due to the rapid dollar value fluctuations and, that in turn impacted negatively on the seamless importation of raw materials and uninterrupted production. With the depreciating rupee and the resultant increase in costs, cash management was of critical consideration. Issues such as having to pay our suppliers up front and the absence of cash inflows to make such payments to purchase raw material and having to depend on third-party entities to source raw material considerably impacted the profit margins during the year.

Despite these difficulties, we were able to navigate the Company forward encouraged by the continued demand for a wide range of flexible packaging materials from the local and export markets. We are pleased to report that we have been able to continue to operate through the business segments involving; Food and Beverage, Tea, Pharmaceuticals, Household Care, and Industrial Marketing, while maintaining a competitive edge in the pharmaceutical sector. Given the constraints experienced in the raw material importation, some sector players have

resorted to directly import finished product items. This is a challenge which the local packaging industry needs to overcome. Meanwhile, some competitors continued to acquire a larger market share in the business, primarily with the adaptation of timely cost optimization.

As a Company that is striving to get back on the path to excellence, we are also currently implementing prudent strategies to support and reposition our growth in the coming financial year.

### COMPANY PERFORMANCE

Given the short period since the "Lankem Group" acquired control of the Company and the challenges in obtaining raw material for optimum production, we have not been able to focus on Company profitability in a manner we would have normally wished. Nevertheless, we have focused on taking an inclusive perspective of the Company's operations by analysing cost factors and management strategies to decide on an effective way forward. Certain key measures have already been initiated towards this end. As a result, we have been able to see profitability in the Company in the last few months. We strongly believe that by implementing the correct strategies along the way, the company can be highly profitable in the not too distant future.

### FINANCIAL RESULTS

The Group reported a Loss of Rs.261 Mn during the current year against a Loss of Rs. 119 Mn reported in 2020/21. The Company's revenue stood at Rs. 780 Mn recording a decline of 45% the previous year while the Gross Profit of Rs. 18.4 Mn is a decrease of Rs. 58 Mn compared to the Gross profit of Rs 76 Mn in 2020/21. The sluggish economic conditions and the working capital constraints which affected operational expansion were the main causes for the decrease in the sales revenue which ultimately resulted in a decrease in gross profit. However, with the management changeover during the last quarter and the efforts put in to optimize the sales mix and the stringent cost management initiatives carried out as part of operations restructuring at our manufacturing plants, we are confident of turning around the Company bottom line. Further, the operating loss of the Company closed at Rs. 87.8 Mn against the loss of Rs. 31.1 Mn reported in 2020/21. Due to an investment impairment and provision for impairment of amount due from related parties, we were compelled to make the said adjustments as per the accounting standards which resulted in the loss during the year under review.

### NEW PERSPECTIVE

Since our takeover of the Company, we have strengthened the management structure and addressed key Human resource management issues.

Very importantly, we have evaluated the costing strategies and taken measures to streamline pricing strategies, identify the correct product mix, and implement aggressive

## **Chairman's Statement**

marketing strategies including minimizing overhead costs.

A key challenge encountered since the acquisition was the cultural drift where steps had to be taken to change the existing organizational culture to a more work-orientated culture. We have so far succeeded in bringing our employees on board towards opening up of a rewards-based performance culture linked to identified KPIs,

We have commenced professional development for employees with exposure to a variety of training, including internal training, outbound training, and team-building opportunities.

### **FUTURE OUTLOOK**

We have drawn a long long-term plan in terms of where the company should be within the next three years and have started to work diligently towards that direction. In the short term, we intend to break even and be profitable while in the long term, we wish to create greater value to ensure sustainable progress of the Company. We believe our sincere commitment coupled with prudent strategic measures will enable us to drive the Company towards the success we seek within a reasonable time frame.

### **ACKNOWLEDGMENTS**

At a time of unprecedented challenges, I would like to express my sincere gratitude to our clients, suppliers, employees, and the management for standing with us; battling the odds, and, for their understanding, willingness and support. I would also like to thank the wise counsel of our experienced Board of Directors who has been our pillar of strength in navigating the Company during these pressing times. May the year ahead be rewarding for all of us.

(Sgd.)

**A. Hettiarachchy**

Executive Chairman,

Colombo

30<sup>th</sup> August 2022

## CORPORATE GOVERNANCE

Corporate Governance at ACME means creating value to shareholders whilst promoting a culture of ethical behavior and practice. ACME is committed to maintaining the highest standard of ethical values and professionalism in all its activities. The Group provides all the market participants and regulatory authorities with timely, accurate, complete and reliable information of the Company while continuing to regulate and improve its corporate governance structure. Further an important element of corporate governance is to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the cost of principal agent problem. Corporate governance covers a very wide range of issues and disciplines from company secretarial and legal, through to business strategy, executive and non-executive management and investor relations, to accounting and information systems and remuneration.

### THE BOARD OF DIRECTORS

The primary role of the Board is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and supervises executive management. It also ensures that good corporate governance policies and practices are implemented within the Group. In the course of discharging its duties, the Board acts in good faith, with due diligence and care, and in the best interests of the company and its shareholders.

The Board consisted of 9 Directors out of which 8 were non-executive directors. The names and profiles of the Directors are given in pages 07 to 08 of this annual report. They possess the skill, experience and knowledge, to set the directions and oversee the operations of the company. The Board has determined that the 3 Independent Non-Executive Directors, satisfy the criteria for Independent set out in the Listing Rules and annually each Non-Executive Director declares his independence/ non independence i.e compliance with the relevant statutory regulations.

The Chairman meets with the Independent Non-Executive Directors as and when necessary.

### RESPONSIBILITIES OF THE BOARD

- ◇ Ensuring the implementation of an effective internal control system and risk management system.
- ◇ Ensuring Compliance with Highest Ethical and Legal Standards.
- ◇ Approval of the Annual and Interim Financial Statements prior to publication.
- ◇ Providing direction and guidance to the Company in the formulation of its strategies and in the pursuance of its operational and financial goals.
- ◇ Monitoring systems of governance and compliance.

- ◇ Approving major acquisitions, disposals and capital expenditure.
- ◇ Approving annual budgets and strategic plans.
- ◇ Reviewing the statutory and SEC governance rules and ensuring compliance.
- ◇ Formulating proposals for dividend and bonus distributions, and for the increase or reduction of capital.
- ◇ Exercising other powers, functions and duties as conferred by the Company's articles of association.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear demarcation of the responsibilities between our Executive Chairman and our Chief Executive Officer. The functions performed by each are distinct and separated, ensuring the balance of power and authority within the organization that no person has unfettered powers of decision making implementation.

### ROLE OF CHAIRMAN

Our Chairman is responsible for providing leadership and preserving order at Board Meetings and the good corporate governance of our group whilst facilitating the effective discharge of Board functions and business strategies. He is responsible for;

- ◇ Ensuring the Board adheres to procedures and the relevant statutes whilst being in complete control of the affairs of the Company,
- ◇ Ensuring that its obligations to the various stakeholders and regulatory bodies are met,
- ◇ Encouraging effective participation by both Executive and Non-Executive Directors on matters taken up for consideration and,
- ◇ Ensuring that shareholders are given adequate opportunity to make observations, express their views and seek clarifications at meetings of shareholders.

### ROLE OF CHIEF EXECUTIVE OFFICER

- ◇ Day to day management of the Group's business operations, with the support of the Executive Directors and the senior management team.
- ◇ Revision and implementation of the Company's strategies and policies,
- ◇ Maintaining a close working relationship with the Chairman and being a sounding board for the Chairman as and when necessary,
- ◇ He is accountable for guaranteeing that the correct Board procedures are followed and that

## Corporate Governance

the applicable rules and regulations are reviewed regularly and complied with,

- ◊ Advises the Board on corporate governance matters and acts as the interface between the management and regulatory authorities as and when necessary,
- ◊ Manages the procedure whereby the Directors and the Board can, as needed, obtain independent professional advice at the Company's expense in discharging their/its duties,
- ◊ Reviews and approves the operational and financial budgets/targets in line with the short, medium and long term objectives of the Company and the Group,
- ◊ Evaluation of pearl wisdom and performance conducted by the Board on regular basis and,
- ◊ Providing the Board explanations for variances and recommend any corrective action that needs to be adopted.

### FINANCIAL ACUMEN

The Board of ACME consists of professionals as well as entrepreneurs who have many years of experience in the corporate world. Their proficiency in the diverse areas of

business, academic and/or entrepreneurial financial skills, business acumen, broad practical wisdom and unique perspectives enable the efficient and effective decision making and leadership of the Group.

### THE BOARD BALANCE

Coming from diverse business and professional backgrounds, the non-executive directors (including independent non-executive directors) of the Company have shared their valuable experiences to the Board for promoting the best interests of the Company and its shareholders. The non-executive directors have actively participated in the board committees of the Company and they have made significant contribution of their skills and expertise to these committees. The composition of the Executive and Non-Executive Directors in the Board satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange.

### HOLDING REGULAR BOARD MEETINGS

The Board meets regularly at least four times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. During the year under review, 8 Board meetings were held. All meetings were presided over by the Chairman.

The attendance record of each of the directors for the Board meetings, held during FY 2021/22 is listed as follows:

| NAME OF THE DIRECTOR  | Attendance at Board Meetings 2021/22 |            |            |            |            |            |            |            |
|---|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|
|   | 01.06.2021                           | 11.08.2021 | 20.08.2021 | 11.11.2021 | 01.12.2021 | 08.12.2021 | 12.01.2022 | 03.02.2022 |
| 1. Mr.H.D.S. Amarasuriya<br>(Resigned w.e.f. 30.06.21)                                  | ✓                                    | -          | -          | -          | -          | -          | -          | -          |
| 2. Dr. J.M. Swaminathan   | ✓                                    | ✓          | ✓          | ✓          | ✓          | ✓          | ✓          | ✓          |
| 3. Mr. R. Seevaratnam   | ✓                                    | ✓          | ✓          | ✓          | ✓          | -          | -          | ✓          |
| 4. Mr. Sanjeev Kumar<br>(Resigned w.e.f. 01.12.21)                                      | ✓                                    | ✓          | ✓          | ✓          | -          | -          | -          | -          |
| 5. Mr. G.K.B. Dasanayaka<br>(Resigned w.e.f. 28.09.21 and<br>appointed w.e.f. 08.12.21) | ✓                                    | ✓          | ✓          | -          | -          | ✓          | ✓          | ✓          |
| 6. Mr. A. Rajaratnam<br>(Appointed w.e.f. 30.11.21)                                     | -                                    | -          | -          | -          | ✓          | ✓          | ✓          | x          |
| 7. Mr. P.M.A. Sirimane<br>(Appointed w.e.f. 30.11.21)                                   | -                                    | -          | -          | -          | ✓          | ✓          | ✓          | ✓          |
| 8. Mr. P.S. Goonewardene<br>(Appointed w.e.f. 30.11.21)                                 | -                                    | -          | -          | -          | ✓          | ✓          | ✓          | ✓          |
| 9. Mr.S.D.R. Arudpragasam<br>(Appointed w.e.f. 12.01.22)                                | -                                    | -          | -          | -          | -          | -          | ✓          | ✓          |
| 10. Mr. A. Hettiarachchy<br>(Appointed w.e.f. 12.01.22)                                 | -                                    | -          | -          | -          | -          | -          | ✓          | ✓          |
| 11. Mr. A.C.S. Jayaranjan<br>(Appointed w.e.f. 12.01.22)                                | -                                    | -          | -          | -          | -          | -          | ✓          | ✓          |

✓ Present      x Excused

## Corporate Governance

### BOARD COMMITTEES

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled with relevant expertise. Three board committees have been established and each of them has its specific duties and authorities set out in its own terms of reference.

#### a. Audit Committee

The Audit Committee consists of four Non-Executive Directors majority of whom are independent. The role of the Committee is to review the accounting principles, policies and the practices adopted in the preparation of financial information. The Committee is responsible for consideration and the appointment of the external auditors. Further the Committee supports the Board in discharging their responsibilities in areas such as the overseeing of internal controls, business risk and statutory compliances.

The Audit Committee report including the subjects reviewed during the financial year 2021/22 are reported in detail on pages 36 to 38

#### b. Remuneration Committee

The Remuneration Committee consists of two Independent Non-Executive Directors and a Non-Executive Director. The role of the Committee is to determine the remuneration policy for the Chief Executive Officer and the Senior Managers, and to ensure that the statutory and legal requirements pertaining to the remuneration are complied with.

The Remuneration Committee report and the subjects reviewed during the financial year are presented in pages 39 to 40

#### c. Related Party Transactions Review Committee

The Related Party Transaction Review Committee consists of four Non-Executive Directors majority of whom are independent. The objective of the Committee is to exercise oversight on behalf of the Board, that all Related Party Transactions are taken note of and dealt with in a manner consistent with the code of listing rules.

The Related Party Transactions Review Committee report and the subjects reviewed during the financial year are presented in pages 41 to 42

All related party transactions as defined by the applicable accounting standards are disclosed on note 29 of the Financial Statements on pages 85 to 87 of this Annual Report.

### ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

The Directors obtain independent professional advice whenever required to assist in discharging their duties.

### COMPANY SECRETARY

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board in ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the Company Secretary should be a matter of to the Board as a whole. S S P Corporate Services (Pvt) Ltd functions as the Secretary of the Board.

### INDEPENDENT JUDGEMENT OF THE DIRECTORS

The Independent Directors remain independent from day to day management and are free from any business and / or other relationship which may hinder their exercise of unbiased judgement. This enables them to act critically and independently in the best interest of the Company.

### DEDICATION OF ADEQUATE TIME & EFFORT

Adequate time is devoted at every meeting to ensure that the Board's responsibilities are discharged satisfactorily.

### TRAINING FOR THE DIRECTORS

The policy on Directors training is to provide adequate opportunities for continuous development subject to requirement and relevance for each Director.

### SUPPLY OF INFORMATION

The notices of Board Meetings are provided along with the agenda well ahead of the scheduled meeting. The Board Papers are circulated among the Directors ahead of the meeting providing adequate time to review and call for any additional information and clarification to assist them to formulate independent views.

### AVAILABILITY OF A NOMINATION COMMITTEE

The Company has not formed a specific Nomination Committee. However performance of the Board and its composition are being evaluated annually.

### APPOINTMENTS TO THE BOARD

The Company has a formal and transparent procedure for appointment of new Directors to the Board.

### APPRAISAL OF BOARD PERFORMANCE

The performance of the Board, its sub Committees and individual Directors are being evaluated annually.

### DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS

The names of the Directors and their profiles are disclosed on pages 07 to 08 of this Annual Report. Directors' interests in contracts are indicated in Note 29 of the Financial Statements on pages 85 to 87 of this Annual Report.

## Corporate Governance

### APPRAISAL OF CHIEF EXECUTIVE OFFICER

The performance of the Chief Executive Officer is being evaluated annually.

### CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING

We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to our Chairman. Separate resolution is proposed at an Annual General Meeting on each substantial separate issue. At the Annual General Meeting the respective Chairmen of the Remuneration Committee and Audit Committee are present to provide any clarification to shareholders as necessary. The notice and the agenda for the Annual General Meeting together with the Annual Report of the Company containing the relevant documents are sent to the shareholders giving 15 working days' notice prior to the date of the Annual General Meeting.

### COMMUNICATION WITH SHAREHOLDERS

All shareholders are invited and encouraged to be present, actively participate and vote at the Annual General Meeting. The Annual general Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company. The external Auditors are invited to attend the Annual General Meeting, for any professional assistance that may be requested. Shareholders who are not in the position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their own choice.

### MAJOR TRANSACTIONS

There were no major transactions during the financial year that materially altered our Company's net asset base or the consolidated Group net asset base.

### FINANCIAL REPORTING

The Board responsibility to present the Financial Statements accepts in the Statement of Directors' Responsibility shown on page 50. The report of the directors on the state of affairs of the Company is given on this Annual Report on pages 45 to 48. The Auditor's Report on the Financial Statements for the year ended 31<sup>st</sup> March 2022 is presented on pages 52 to 54 of this Annual Report. The management discussion and analysis of the company is presented on pages 34 to 35 of this Annual Report. The Board is satisfied that the Company will continue its operations in the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the Financial Statements.

### INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Board's policy is to have systems in place which optimize the Company's ability to manage risk in an effective and

appropriate manner. The Board has delegated to the Audit Committee responsibility for identifying, evaluating and monitoring the risks facing the Company and for deciding how these are to be managed. In addition to internal audit carried out by an external professional body, members of the Audit Committee are expected to report to the Board as necessary the occurrence of any material control issues, serious incident or events that have had a major commercial impact, or any significant new risks which have been identified.

### CODE OF BUSINESS CONDUCT AND ETHICS

The Company has developed and institutionalized a strong set of corporate values and code of conduct that is circulated to Directors and all employees. The Board ensures that Directors and employees strictly comply with the code of Business Conduct and Ethics at all levels in the performance of their official duties, communications, role modeling and in any other circumstances, so as to prevent the tarnishing of our Company's image in any manner. The violation of the code of ethics is an offence that is subject to disciplinary action.

### CORPORATE GOVERNANCE / COMPLIANCE STATEMENT

ACME Printing & Packaging PLC is complied with the Corporate Governance, listing requirement of the Colombo Stock Exchange and adheres to the different regulating authorities. (Mandatory Provisions - Fully Complied)

- ◇ Companies Act No.7 of 2007
- ◇ Code of Best Practices on Corporate Governance issued jointly by the CA Sri Lanka and the Securities & Exchange Commission of Sri Lanka
- ◇ Inland Revenue Act
- ◇ Exchange Control Act
- ◇ Customs Ordinance

The tables given below presents the details and disclosures on the level of compliance with

1. Section 168 of Companies Act, No. 07 of 2007, pertaining to Corporate Governance.
2. Section 7.6 of Listing Rules of the Colombo Stock Exchange;
3. Section 7.10 of Listing Rules of the Colombo Stock Exchange
4. Section 9 of the Listing Rules of the Colombo Stock Exchange.
5. Code of best practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission of Sri Lanka

## Corporate Governance

These are discussed in the sections that follows.

### 1. Level of compliance with Section 168 of Companies Act, No. 07 of 2007, pertaining to Corporate Governance.

| RULE NO.          | DISCLOSURE REQUIREMENT  | PAGE REFERENCE TO THE ANNUAL REPORT |
|-------------------|---|-------------------------------------|
| Section 168 (1) a | Changes during the accounting period in the nature of the business of the Company.  | 9                                   |
| Section 168 (1) b | Financial Statements for the accounting period completed and signed in accordance with section 151.   | 55-94                               |
| Section 168 (1) c | Auditor's report on the Financial Statements  | 52-54                               |
| Section 168 (1) d | Change in accounting policies made during the accounting period.  | 61                                  |
| Section 168 (1) e | Particulars of entries in the interests register made during the accounting period.   | 45                                  |
| Section 168 (1) f | Remuneration and other benefits of directors during the accounting period   | 45/71                               |
| Section 168 (1) g | Amount of donations made by the Company during the accounting period.   | 45                                  |
| Section 168 (1) h | Names of the persons holding office as Directors of the Company as at the end of the accounting period and the names of any persons who ceased to hold office as Directors of the Company during the accounting period. | 4/45                                |
| Section 168 (1) i | Amounts payable by the Company to the auditor of the Company as audit fees and as a separate item, fees payable by the Company for other services provided by that firm.  | 71                                  |
| Section 168 (1) j | Particulars of any relationship (other than that of auditor) which the auditor has with or any interests which the auditor has in, the Company.   | 46                                  |
| Section 168 (1) k | Sign the Annual Report on behalf of the Board by two Directors of the Company and the Secretary of the Company.   | 45-48                               |

## Corporate Governance

### 2. Level of compliance with Section 7.6 of Listing Rules of the Colombo Stock Exchange;

| RULE NO.        | DISCLOSURE REQUIREMENT  | PAGE REFERENCE TO THE ANNUAL REPORT |
|-----------------|---|-------------------------------------|
| Rule 7.6 (i)    | Names of persons who during the financial year were Directors of the Entity.  | 45-48                               |
| Rule 7.6 (ii)   | Principal activities of the Entity during the year and any changes therein.   | 7-8/59                              |
| Rule 7.6 (iii)  | The names and the number of shares held by the 20 largest holders of shares and the percentage of such shares held.   | 97                                  |
| Rule 7.6 (iv)   | The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement. | 96                                  |
| Rule 7.6 (v)    | Directors' and Chief Executive Officer's holding in shares of the Entity at the beginning and end of financial year.  | 45                                  |
| Rule 7.6 (vi)   | Information pertaining to material foreseeable risk factors of the Entity.  | 43-44                               |
| Rule 7.6 (vii)  | Details of material issues pertaining to employees and industrial relations of the Entity.  | 44/85                               |
| Rule 7.6 (viii) | Extent, locations, valuations of land and buildings and investment properties.  | 94                                  |
| Rule 7.6 (ix)   | Number of shares presenting the Entity's stated capital.  | 96                                  |
| Rule 7.6 (x)    | Distribution schedule of the number of holders in each class of security, and the percentage of their holding as per given categories   | 96                                  |
| Rule 7.6 (xi)   | Ratios and market price information   | 47/95/96                            |
| Rule 7.6 (xii)  | Significant changes in the Entity's fixed assets and the market value of land if differs substantially from the book value.   | 73-75                               |
| Rule 7.6 (xv)   | Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c and 7.10.6. c   | 17-18                               |
| Rule 7.6 (xvi)  | Details of Related party transactions as per the specified criteria.  | 86                                  |

## Corporate Governance

### 3. Level of compliance with Section 7.10 of Listing Rules of the Colombo Stock Exchange, pertaining to Corporate Governance

| RULE NO.  | SUBJECT                                 | APPLICABLE REQUIREMENT   | DETAILS  | COMPLIANCE STATUS |
|-----------|---|--|--|-------------------|
| 7.10.1(a) | Non-Executive Directors                 | At least two or one third of the Directors, whichever is higher, should be Non- Executive Directors                        | Except Chairman, all the Directors are Non- Executive Directors as at 31 <sup>st</sup> March 2022.                                 | Complied          |
| 7.10.2(a) | Independent Directors                   | Two or one-third of Non- Executive Directors, whichever is higher, should be independent.                                  | Three out of Eight Non- Executive Directors are independent as at 31 <sup>st</sup> March 2022                                      | Complied          |
| 7.10.2(b) | Independence Declaration of Directors   | Each Non-Executive Director should submit a declaration Independence / Non- Independence.                                  | All Non-Executive Directors have submitted their confirmation of independence as per the criteria set by the CSE listing rules.    | Complied          |
| 7.10.3(a) | Disclosures relating to Directors       | The names of Independent Directors should be disclosed in the Annual report.   | Refer page 07 to 08 to the Annual Report.  | Complied          |
| 7.10.3(b) | Independence of Directors               | The Board shall make a determination annually as to the Independence or Non- Independence of each Non- Executive Director. | The Board has determined that Three (3) Non- Executive Directors satisfy the criteria for "Independence" set in the Listing Rules. | Complied          |
| 7.10.3(c) | Disclosures relating to Directors       | A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.       | Board of Directors' resume is given in pages 07 to 08 to the Annual Report.  | Complied          |
| 7.10.3(d) | Appointment of new Directors            | A brief resume of new Directors appointed to the Board to be provided to Colombo Stock Exchange.                           | When the necessary arise the Company has submitted the brief resume of newly appointed directors to Colombo Stock Exchange.        | Complied          |
| 7.10.5    | Remuneration Committee                  | A listed company shall have a Remuneration Committee.  | The Company has a Remuneration Committee. Refer page 39 to the Annual Report.  | Complied          |
| 7.10.5(a) | Composition of Remuneration Committee   | Shall comprise of Non-Executive Directors, a majority of whom will be Independent.   | The Remuneration Committee comprised of Three (3) Non-Executive Directors out of which Two (2) are Independent.                    | Complied          |
| 7.10.5(b) | Functions of the Remuneration Committee | The Remuneration Committee shall recommend the remuneration of the Executive Directors and the Chief Executive Officer.    | The Committee recommends the remuneration payable to Executive Chairman / Chief Executive Officer and Senior Management Personnel. | Complied          |

## Corporate Governance

| RULE NO.  | SUBJECT  | APPLICABLE REQUIREMENT  | DETAILS  | COMPLIANCE STATUS |
|-----------|--|---|--|-------------------|
| 7.10.5(c) | Disclosure in The Annual Report relating to Remuneration Committee | The Annual Report should set out the names of the Directors comprising the Remuneration Committee, Statement of Remuneration policy and the aggregate remuneration paid to Executive and Non-Executive Directors.   | Names of Remuneration Committee members and the Statement of Remuneration policy are given in the report of the Remuneration Committee on page 39 and the remuneration paid to Directors is given in the Note 07 to the Financial Statement on page 71 | Complied          |
| 7.10.6    | Audit Committee  | A listed company shall have an Audit Committee.   | The Company has an Audit Committee. Refer pages 36 & 38 to the Annual Report.  | Complied          |
| 7.10.6(a) | Composition of Audit Committee                                     | Shall comprise of Non-Executive Directors, a majority of whom will be independent.  | The Audit Committee comprised of four (4) Non-Executive Directors out of which three (3) are Independent.  | Complied          |
|           |  | Shall appoint Non-Executive Director as a Chairman to the Committee.  | Composition of the Committee is given under Corporate Governance Report on page 36 to the Annual Report.   | Complied          |
|           |  | Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings.   | The Executive Chairman attend to the meeting as acting CEO to the meeting. Group General Manager Finance and, Manager - Finance attend Audit Committee meetings by invitation.   | Complied          |
|           |  | The Chairman of the Audit Committee or one member should be a member of a professional accounting body.   | The Chairman of the Audit Committee is a Fellow member of both The Institute of Chartered Accountants of Sri Lanka and The Institute of Chartered Accountants England & Wales.   | Complied          |
| 7.10.6(b) | Functions of Audit Committee                                       | Functions outlined in the Section 7.10.6 (b) of the Listing Rules.  | Audit Committee functions are stated in the Audit Committee Report on page 36.   | Complied          |
| 7.10.6(c) | Disclosure in the Annual Report relating to the Audit Committee    | The Annual Report should set out the names of the Directors comprising the Audit Committee, shall make a determination of the independence of the Auditors and disclose the basis for such determination and Annual Report shall contain a Report of the Audit Committee. | Refer the Audit Committee report on page 36 to the Annual Report.  | Complied          |

## Corporate Governance

### 4. Level of compliance with the Code of Best practices on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and the Section 9 of the Listing Rules of the Colombo Stock Exchange.

| RULE NO. | SUBJECT  | APPLICABLE REQUIREMENT   | DETAILS   | COMPLIANCE STATUS |
|----------|--|--|---|-------------------|
| 9.2.1    | Related Party Transactions Review Committee (RPTRC)  | Related Party Transactions should be reviewed by the RPTRC.  | Refer RPTRC Report on pages 41 to 42 to the Annual Report.  | Complied          |
| 9.2.2    | Composition of RPTRC                                 | Shall comprise a combination of Non-Executive Directors and Independent Non-Executive Directors. Chairman of the committee should be Independent Non-Executive Director.   | The RPTRC comprised of Three (3) Non-Executive Directors out of which two (2) are independent including the Chairman of the Committee.  | Complied          |
| 9.2.3    | Involvement of Parent Company's RPTRC                | Parent Company's RPTRC may be permitted to function as Parent Company's RPTRC of the subsidiary  | Not Applicable.   | Not Applicable.   |
| 9.3.1    | Immediate Disclosures                                | As outlined in the Section 9.3.1 of the Listing Rules.   | There was no instance of Non- recurrent Related Party Transactions during the year under review which required immediate disclosure to the Exchange. Refer RPTRC report on pages 41 to 42 to the Annual Report.   | Complied          |
| 9.3.2(a) | Disclosure -Non Recurrent Related Party Transactions | Disclosure of Non recurrent Related Party Transactions, if aggregate value of the Non-recurrent Related Party Transactions exceeds 10% of the equity or 5% of the total assets, whichever is lower, of the listed entity as per the latest Audited Financial Statements. | During the year, there was no instance of non-recurrent Related Party Transactions with aggregate value exceeding 10% of the equity or 5% of the Total assets, whichever is lower. Accordingly, required Disclosure has been made in note 29.2.C to the Financial Statements. | Complied          |
| 9.3.2(b) | Disclosure Recurrent Related Party Transactions      | Disclosure of recurrent Related Party Transactions, if the aggregate value of the recurrent Related Party Transactions exceeds 10% of the Gross Revenue / Income as per the latest Audited Financial Statements.   | During the year, there were instances where aggregate recurrent Related Party Transactions value exceeded the threshold of 10% of Gross Revenue. Accordingly, required Disclosure has been made in note 29. 2. a to the Financial Statements.                                 | Complied          |

## Corporate Governance

| RULE NO. | SUBJECT   | APPLICABLE REQUIREMENT  | DETAILS  | COMPLIANCE STATUS |
|----------|---|---|--|-------------------|
| 9.3.2(c) | Report by the RPTRC   | Committee report shall include; Names of Committee members, statement that Committee has reviewed the RPTs and communicated observations to the Board, policies and procedures Adopted in reviewing RPTs and number of times Committee met during the year. | Refer pages 41 to 42 for the Related Party Transactions Review Committee report. | Complied          |
| 9.3.2(d) | A declaration by the Board of Directors in the Annual Report. | This should be an affirmative statement of the compliance and full disclosure of Related Party Transactions or a negative statement in the event the entity does not have Related Party Transactions.   | Refer pages 45 of the Annual Report of the Board of Directors.                   | Complied          |

## Corporate Governance

### 5. Code of best practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities Exchange Commission of Sri Lanka

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE   | COMPLIANCE | DETAILS OF COMPLIANCE   |
|---|------------|---|
| <b>THE COMPANY</b>  |            |   |
| <b>A. Directors</b>   |            |   |
| <p><b>A.1 The Board</b></p> <p>Every public company should be headed by an effective Board, which should lead and control the Company. The Board should include a balance of Executive and Non-Executive Directors such that no party can dominate the Board's decision making. The Board of a Listed Company includes two or one third of Non-Executive Directors appointed to the Board of Directors as "independent director".</p> | Complied   | <p>The Board consists of 9 Directors out of which 8 are non-executive directors. The names and profiles of the Directors are given on pages 07 of this Annual Report. They Possess the skill, experience and knowledge, to set the directions and oversee the operations of the Company. The composition of the Executive and Non-executive Directors satisfies the requirements laid down in the Listing Rules of the Colombo Stock Exchange.</p> <p>The Board has determined that the 3 Independent Non-Executive Directors, satisfy the criteria for Independent set out in the Listing Rules and annually each Non-Executive Director declares his independence/non independence i.e compliance with the relevant statutory regulations.</p> <p>Requirement to appoint a "Senior Non-Executive Director" is not relevant to the Company as the Chairman's and the Chief Executive Officer's roles are segregated.</p> <p>The Chairman meets with the Independent Non-Executive Directors as and when necessary.</p> |
| <p><b>A.1.1 Frequency of Board Meetings</b></p> <p>The Board should meet regularly and the Board Meeting should be held at least once a quarter of a financial year.</p>  | Complied   | <p>The Board generally meets on a quarterly basis, but more frequently whenever it is necessary. During the year under review, Six Board meetings were held. The meetings were presided over by the Chairman. The attendance by each of the Directors is set out on page 12</p>   |
| <p><b>A.1.2 Responsibilities of the Board</b></p> <p>The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.</p>   | Complied   | <p>Please refer "Responsibilities of the Board of Directors" on page 11</p>   |
| <p><b>A.1.3 Compliance with laws and access to independent professional advice.</b></p> <p>There should be a procedure agreed by the Board of Directors, in furtherance of their duties to take professional advice if necessary.</p>   | Complied   | <p>The Board collectively and the Directors individually act in accordance with the laws of the country of operation which are applicable to the business enterprise. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations.</p> <p>A procedure has been established for Directors to seek independent professional advice from external parties when necessary at the expense of the Company.</p>   |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE   | COMPLIANCE | DETAILS OF COMPLIANCE   |
|---|------------|---|
| <p><b>A.1.4 Board Secretary</b></p> <p>All Directors should have access to the advice and services of a Company Secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.</p>                                       | Complied   | <p>The Directors have access to the advice and services of the Board Secretary. The Board Secretary ensures that Board procedures, relevant statutory obligations and other applicable rules and regulations are complied with.</p> <p>The Board Secretary had provided the Board with support and advice relating to Corporate Governance matters, Board procedures, and applicable rules and regulations during the financial year. The Board Secretary ensures that the Board members are provided with timely and accurate information to fulfill their duties.</p> <p>The appointment and removal of the Board Secretary is a decision taken by the Board as a whole.</p> <p>S S P Corporate Services (Pvt) Ltd functions as the Secretary of the Board.</p> |
| <p><b>A.1.5 Independent judgement</b></p> <p>All Directors should bring independent judgement to bear, in discharging their duties and responsibilities on matters relating to the Board including strategy, performance, resource allocation, risk management, compliance and standards of business conduct.</p> | Complied   | <p>The Independent Directors remain independent from day to day management and are free from any business and/or other relationship which may hinder their exercise of unbiased judgement. This enables them to act critically and independently in the best interest of the Company.</p>   |
| <p><b>A.1.6 Dedication of adequate time and effort by the Board and Board Committees</b></p> <p>Every Director should dedicate adequate time and effort to matters of the Board and the Company.</p>  | Complied   | <p>Adequate time is devoted at every meeting to ensure that the Board's responsibilities are discharged satisfactorily.</p>   |
| <p><b>A.1.7 Ability to present resolution to the Board</b></p> <p>One third of directors can call for a resolution to be presented to the Board where they feel it is in best interest to the company to do so.</p>   | Complied   | <p>This was not exercised during the financial year 2021/22.</p>  |
| <p><b>A.1.8 Induction and Training for Directors</b></p> <p>Every Director should receive appropriate training on the first occasion that he or she is appointed to the Board of a listed Company and subsequently as necessary.</p>  | Complied   | <p>The policy on Directors training is to provide adequate opportunities for continuous development subject to requirement and relevance for each Director.</p>   |
| <p><b>A.2 &amp; A.2.1 Chairman and Chief Executive Officer</b></p> <p>There should be a clear division of responsibilities between the Chairman and the Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decisions.</p>          | Complied   | <p>There is a clear demarcation of the responsibilities between our Executive Chairman and our Chief Executive Officer. The functions performed by our Chairman and our Chief Executive Officer are distinct and separate, ensuring the balance of power and authority within the organization, so that no person has unfettered powers of decision making implementation.</p>  |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE  | COMPLIANCE | DETAILS OF COMPLIANCE   |
|--|------------|---|
| <p><b>A.3 Chairman's Role</b></p> <p>The Chairman should lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully, and preserves order, and facilitates the effective discharge of the Board function.</p> | Complied   | <p>The Chairman of the Board facilitates the effective discharge of Board proceedings. All the Directors are encouraged to participate in decision making and their views are obtained to ensure that the Board functions in an efficient manner which is beneficial to the stakeholders and the Company.</p> <p>Please refer page 11 for the Chairman's role.</p>                          |
| <p><b>A.4 Financial Acumen</b></p> <p>The Board should ensure the availability within of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.</p>   | Complied   | <p>The Board of ACME consists of professionals as well as entrepreneurs who have many years of experience in the corporate world. Their proficiency in the diverse areas of business, academic and/or entrepreneurial financial skills, business acumen, broad practical wisdom and unique perspectives enable the efficient and effective decision making and leadership of the Group.</p> |
| <p><b>A.5 Board Balance</b></p> <p>There should be balance of Executive and Non-Executive Directors so that no individual or small group of individuals can dominate the Board's decision-making.</p>  | Complied   | <p>All Directors are Non-Executive Directors except Executive Chairman. Each of them brings vast experience and the ability to exercise independence and judgement when taking informed decisions.</p>  |
| <p><b>A.5.1 Presence of Non-Executive Directors</b></p>  | Complied   | <p>Please refer "Board of Directors" profile on page 07</p>   |
| <p><b>A.5.2 Independent Directors</b></p>  | Complied   | <p>Three out of the 8 Non-Executive Directors were considered independent. The requirement as per the Code has been complied with throughout the financial year.</p>  |
| <p><b>A.5.3 Criteria to evaluate Independence of Non-Executive Directors</b></p>   | Complied   | <p>The Board considers Non-Executive Directors' independence on an annual basis and concluded for the financial year that each of them continues to be free from any business or other relationship that could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.</p>   |
| <p><b>A.5.4 Signed declaration of independence by the Non-Executive Directors</b></p>  | Complied   | <p>Independent Directors have submitted written declarations of their independence as required by Schedule K of the Code and section 7.10.2(b) of the Listing Rules.</p>  |
| <p><b>A.5.5 Determination of independence of the Directors by the Board</b></p>  | Complied   | <p>The Board annually determines the independence of each Non-Executive Independent Director based on the declarations submitted by them. Circumstances have not arisen for the determination of independence by the Board, beyond the criteria set out in the Code.</p>  |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE  | COMPLIANCE     | DETAILS OF COMPLIANCE   |
|--|----------------|---|
| <b>A.5.6 Alternate Directors</b>   | Not Applicable | No alternative directors have been appointed.   |
| <b>A.5.7 Senior Independent Directors</b><br>The Chairman should lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully, and preserves order, and facilitates the effective discharge of the Board function. | Not Applicable | A senior Independent Director has not been appointed by the Board as the Chairman and the Chief Executive Officer roles are separated.<br><br>The requirement to appoint a Senior Independent Director does not arise under this Code.  |
| <b>A.5.8 Confidential discussion with the Senior Independent Director</b>  | Not Applicable | Please refer the comments in A 5.7 above.   |
| <b>A.5.9 Meeting of Non-Executive Directors</b><br>The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present, as necessary and at least once each year.   | Complied       | The Chairman meets with the Non-Executive Directors without the presence of the Executive Director on a need basis.<br><br>However, there were no formal specific meetings held with Non-Executive Directors during the year.   |
| <b>A.5.10 Recording of concerns in Board Minutes</b><br>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       | All concerns raised by the Directors on matters of the Company and wished to be recorded have been duly recorded in the Board minutes in sufficient detail.   |
| <b>A.6, A.6.1 &amp; A.6.2 Supply of Information</b><br>Obligation of the Management to provide appropriate and timely information and adequate time for circulation of respective Board documents.   | Complied       | The notices of Board Meetings are provided along with the agenda well ahead of the scheduled meeting. The Board Papers are circulated among the Directors ahead of the meeting providing adequate time to review and call for any additional information and clarification to assist them to formulate independent views. |
| <b>A.7 Appointments to the Board</b><br>A formal and transparent procedure should be followed for the appointment of new Directors to the Board.   | Complied       | The Board assesses the suitability of the prospective nominees to the Board and approves the persons as "fit and proper" to serve as a member of the Board.   |
| <b>A.7.1 Appointments to the Board</b>   | Complied       | The Board has not established a Formal Nominations Committee to make recommendations on Board appointments. Hence, appointments to the Board are made collectively and with the consent of all the Directors.   |
| <b>A.7.2 Assessment of Board composition</b>   | Complied       | An assessment is made of the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company when considering new appointments to the Board.   |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE   | COMPLIANCE | DETAILS OF COMPLIANCE   |
|---|------------|---|
| <p><b>A.7.3 Disclosure of details of new Directors to shareholders</b></p>  | Complied   | <p>Details of new Directors are disclosed to the shareholders at the time of their appointment by way of public announcements to the Colombo Stock Exchange as well as in the Annual Report, along with a brief resume of the Director which includes;</p> <ul style="list-style-type: none"> <li>◊ The nature of his expertise in relevant functional area.</li> <li>◊ Other Directorships or memberships in Board Sub-Committees.</li> <li>◊ Whether the Director is considered “Independent”</li> <li>◊ Appointment of new directors are disclosed in pages 45 to 46.</li> </ul> |
| <p><b>A.8, A 8.1 &amp; A 8.2 Re-election</b><br/>All Directors should be required to submit themselves for Re-election at regular intervals and at least every three years.</p>   | Complied   | According to the Articles of association of the company, four directors retire by rotation and being eligible for re-election will stand for re-election by shareholders at the Annual General Meeting.   |
| <p><b>A.8.3 Resignation</b><br/>In the event of a resignation of a director prior to completion of his appointed term, the director should provide a written communication to the board of his reasons for resignation.</p>   | Complied   | Two Directors were resigned during the financial year 2021/2022.  |
| <p><b>A.9, A.9.1, A.9.2, A.9.3 &amp; A.9.4 Appraisal of board performance</b><br/>The Board should periodically appraise its own performance against the preset targets in order to ensure that the Board responsibilities are satisfactorily discharged.</p>                                   | Complied   | The performance of the Board, its sub Committees and individual Directors are being evaluated annually.   |
| <p><b>A.10 Disclosure of Information in respect of Directors</b><br/>Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders.</p>  | Complied   | The biographical details of the Directors including their qualifications, nature of expertise in relevant functional areas, and other directorships are given on page 7 Directors' attendance at Board and Board Sub-Committee meetings are given on page 12, 36, 39 & 41 , and Directors' interest in contracts with the Company are disclosed on page 85 to 86 of this Report.  |
| <p><b>A.11, A.11.1 &amp; A.11.2 Appraisal of the Chief Executive Officer</b><br/>Setting of the annual targets and the appraisal of the CEO.</p>  | Complied   | The performance of the Chief Executive Officer is being evaluated annually.   |
| <b>B. Directors' Remuneration</b>   |            |   |
| <p><b>B.1 Remuneration Procedure</b><br/>The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.</p> | Complied   | The Company has a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Director has been involved in deciding his remuneration in order to avoid the self-review threat.   |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE   | COMPLIANCE | DETAILS OF COMPLIANCE   |
|---|------------|---|
| <p><b>B.1.1 Remuneration Committee</b></p> <p>To avoid potential conflicts of interest, the Board of Directors should set up a Remuneration Committee to make recommendations to the Board, within agreed terms of reference, on the Company's framework of remunerating executive directors.</p>   | Complied   | <p>The Remuneration Committee makes recommendations to the Board on remuneration policy for the Executive Director and the corporate management that is consistent with the objectives of the Company. The Committee determines and agrees with the Board the broad policy framework for the remuneration of the Chief Executive Officer. The Chief Executive Officer participates at meetings when deciding the remuneration of the corporate management in order to recruit, retain and motivate the corporate management team.</p> |
| <p><b>B.1.2 &amp; B 1.3 Composition of the Remuneration Committee</b></p> <p>Remuneration Committee should consist exclusive of Non-Executive Directors who are Independent of Management. The members of the Remuneration Committee should be listed in the Board's remuneration report to the shareholders.</p>   | Complied   | <p>The Remuneration Committee comprises of the following Non-Executive Directors.</p> <ul style="list-style-type: none"> <li>◊ Mr. G.K.B. Dasanayaka – Chairman</li> <li>◊ Dr. J.M. Swaminathan</li> <li>◊ Mr. R. Rajarathnam</li> </ul> <p>Further details of the Remuneration Committee are given on this Annual Report on page 39 to 40.</p>   |
| <p><b>B.1.4 Remuneration of the Non-Executive Directors</b></p> <p>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, within the limits set in the Articles of Association. Where permitted by the Articles, the Board may delegate this responsibility to a subcommittee of the Board, which might include the CEO.</p> | Complied   | <p>Non-Executive Directors are remunerated in accordance with the Articles of Association of the Company. The fees and reimbursable expenses are payable in consideration of the basis of contribution/ services performed at the Board and Committee Meetings, and the Company's year end financial performance.</p>   |
| <p><b>B.1.5 Consultation of the Chairman and access to professional advice</b></p>  | Complied   | <p>The Committee consults the Chairman on proposals relating to the remuneration of the Executive Director and has access to professional advice in discharging their duties.</p>   |
| <p><b>B.2 Level and make-up of Remuneration</b></p> <p>The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to the corporate and individual performance.</p>   | Complied   | <p>Please refer Remuneration Committee Report on Page 39 to 40</p>  |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE  | COMPLIANCE | DETAILS OF COMPLIANCE   |
|--|------------|---|
| <p><b>B.2.1&amp; B 2.2 Level and make-up of the remuneration of the Executive Director</b></p> <p>The Remuneration Committee should provide the packages needed to attract, retain and motivate Executive Directors of the quality required but should avoid paying more than is necessary for this purpose.</p> <p>Executive directors' remuneration should be designed to promote the long-term success of the company.</p>  | Complied   | <p>The Board makes assessments on the fact that the remuneration of Executive and the Non-Executive Directors reflects the market expectations and is sufficient enough to attract and retain the quality of Directors needed to run the Company.</p> <p>The remuneration package of the Chief Executive Officer is structured to link rewards to corporate and individual performance, ensuring there is strong alignment between the short-term and long-term interests of the Company.</p> |
| <p><b>B.2.3 Comparison of remuneration with other companies</b></p> <p>The Remuneration Committee should judge where to position levels of remuneration of the Company, relative to other companies. It should be aware what comparable companies are paying and should take account of relative performance, but should use such comparisons with caution, mindful of the risk that they can result in an increase of remuneration levels with no corresponding improvement in performance.</p> | Complied   | <p>The Committee ensures that remuneration of executives at each level of management is competitive and in line with their performance. Surveys are conducted as and when necessary to ensure that the remuneration is on par with those of competitive companies.</p>  |
| <p><b>B.2.4 Comparison of remuneration with other companies in the Group</b></p>   | Complied   | <p>It also takes into consideration data concerning executive pay among the related group companies when determining annual salary increases.</p>   |
| <p><b>B.2.5 Performance related payments to the Chief Executive Officer</b></p>  | Complied   | <p>Performance based incentives have been determined to ensure that the total earnings of the Chief Executive Officer is aligned with the achievement of objectives and budgets of the Company.</p>   |
| <p><b>B.2.6 Executive share options</b></p>  | Complied   | <p>The Company has no share option made available to the Directors, Executives or employees of the Company.</p>   |
| <p><b>B.2.7 Deciding the Executive Directors' Remuneration</b></p>   | Complied   | <p>In deciding the remuneration of the Chief Executive Officer, the Committee takes note of the provisions set out in Schedule E of the Code.</p>   |
| <p><b>B.2.8 Early termination of Directors</b></p> <p>Remuneration Committees should consider what compensation commitments (including pension contributions) their Directors' contracts of service, if any, entail in the event of early termination. Remuneration Committees should in particular, consider the advantages of providing explicitly for such compensation commitments to apply other than in the case of removal for misconduct, in initial contracts.</p>                      | Complied   | <p>Not applicable to the Board except for the Executive Directors including Chief Executive Officer who is an employee of the Company and his terms of Employment is governed by the employment contract.</p>   |
| <p><b>B.2.9 Early termination not included in the initial contract</b></p> <p>Where the initial contract does not explicitly provide for compensation commitments, Remuneration Committees should, within legal constraints, tailor their approach in early termination cases to the relevant circumstances. The broad aim should be, to avoid rewarding poor performance while dealing fairly with cases where departure is not due to poor performance.</p>                                    | Complied   | <p>Please refer comment in B.2.8 above.</p>   |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE  | COMPLIANCE | DETAILS OF COMPLIANCE  |
|--|------------|--|
| <b>B.2.10 Remuneration of Non-Executive Director</b>   | Complied   | Please refer details of the Compliance given in B.1.4 on page 26   |
| <b>B.3 &amp; B 3.1 Disclosure of Remuneration</b><br>The Company should disclose the Remuneration Policy and the details of Remuneration of the Board as a whole.                                    | Complied   | The names of the members of our Remuneration Committee are indicated in page 39 Please refer Note 07to the Financial Statements for the details of remuneration paid to Board of Directors and Key Management Personnel.   |
| <b>C. Relations with Shareholders</b>  |            |  |
| <b>C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings</b><br>The Board should use the AGM to communicate with shareholders and should encourage their participation. | Complied   | The Company conducts Annual General Meeting on effective manner to communicate with shareholders and encourage their active participation.   |
| <b>C.1.1 Notice of the AGM</b><br>Companies 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 and the agenda for the Annual General Meeting together with the Annual Report of the Company containing the relevant documents are sent to the shareholders giving 15 working days' notice prior to the date of the Annual General Meeting as required by section 135 (1) of the Companies Act No 7 of 2007.  |
| <b>C.1.2 Separate resolutions for all separate issues</b>  | Complied   | Separate resolutions are proposed at an Annual General Meeting on each substantial separate issue.   |
| <b>C.1.3 Use of proxy votes</b>  | Complied   | We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to our Chairman.   |
| <b>C.1.4 Availability of all Board Sub-Committee Chairmen at the Annual General Meeting</b>  | Complied   | At the Annual General Meeting the respective Chairmen of the Subcommittees are present to provide any clarification to shareholders as necessary.  |
| <b>C.1.5 Adequate notice of Annual General Meeting and summary of procedure</b>  | Complied   | Please refer comment C.1.1 above.  |
| <b>C.2.1 to C2.7 Board should use the Annual General Meeting to communicate with investors and encourage their participation</b>   | Complied   | All shareholders are invited and encourage to be present, actively participate and vote at the Annual General Meeting. The Annual general Meeting provides an opportunity for shareholders to seek and obtain clarifications and information on the performance of the Company.<br><br>The external Auditors are invited to attend the Annual General Meeting, for any professional assistance that may requested.<br><br>Shareholders who are not in the position to attend the Annual General Meeting in person are entitled to have their voting rights exercised by a proxy of their own choice. |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE   | COMPLIANCE | DETAILS OF COMPLIANCE  |
|---|------------|--|
| <b>C.3, C.3.1 &amp; C 3.2 Major and Material Transactions</b><br>Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.  | Complied   | There were no major transactions during the financial year 2021/2022 that materially altered our Company's net asset base or the consolidated Group net asset base.  |
| <b>D. Accountability and Audit</b>  |            |  |
| <b>D.1 Financial Reporting</b><br>The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.   | Complied   | ACME has reported a true and fair view of its financial position and performance for the year ended 31 <sup>st</sup> March 2022 and at the end of each quarter of 2021/22 financial year.<br><br>The Board ensures that the quarterly and annual Financial Statements of the Company and Group are prepared and Published in compliance with the requirements of the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards (LKASs and SLFRSs) and the Rules of the Colombo Stock Exchange. |
| <b>D.1.1 &amp; D.1.2 Board responsibility to present the Financial Statements and Annual Report of the Directors</b>  | Complied   | Please refer the Statement of Directors' Responsibility shown on page 50 and the Directors have made the required declaration on pages 45 to 48 of this Annual Report.   |
| <b>D.1.3 Before approve financial statements for a financial period, A declaration should be made by Chief Executive Officer and Chief Financial Officer to the Board</b><br>In their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and that the system of risk management and internal control was operating effectively. | Complied   | The required declaration has been given to the board for the financial year of 2021/2022.  |
| <b>D.1.4 Directors Report</b>   | Complied   | Please refer the Report of the Directors on the State of Affairs of the Company on pages 45 to 48  |
| <b>D.1.5 Statement by the Directors and the Auditors</b>  | Complied   | The Statement of Directors' Responsibilities is on page 50 of this Annual Report. The Auditor's Report on the Financial Statements for the year ended 31 <sup>st</sup> March 2022 is presented on pages 52 to 54 of this Annual Report.  |
| <b>D.1.6 Management discussion and analysis</b>   | Complied   | The management discussion and analysis of the company is on pages 34 to 35 of this Annual Report.  |
| <b>D.1.7 Requirement for an Extraordinary General Meeting in a situation of serious loss of capital</b>   | Complied   | This is not applicable to us however subsidiary company has an issue of such and EGM was held to notify this to share holder accordingly.  |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE  | COMPLIANCE | DETAILS OF COMPLIANCE  |
|--|------------|--|
| <b>D.1.8 Disclosure of related party transactions</b>  | Complied   | <p>The Directors disclose their interest in transactions in companies in as and when basis. However, they make disclosures of their interest in transactions with the Company in compliance with the requirements of the companies act and other statutory requirements. The Company maintains an interest register as stipulated in the Companies Act.</p>  |
| <b>D.2 Risk Management and Internal Control</b><br>The Board should have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and Company's assets. | Complied   | <p>The Board of Directors acknowledges its overall responsibility for maintaining a process of risk management and a sound system of internal controls, to safe guard shareholders' investment and the Company's assets.</p>   |
| <b>D.2.1 Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls</b>  | Complied   | <p>The Board has appointed a Audit Committee comprising of Non-Executive Directors. The Audit Committee meets quarterly basis monitor the company's risk management system and internal control system in the context of likelihood and their impact to the Group along with the effectiveness of the system of internal controls to address them to a satisfactory level.</p>   |
| <b>D.2.2 Robust assessment of the principal risks facing</b>   | Complied   | <p>The assessment of the principal risks facing the company and risk mitigation strategies have been discussed on Risk Management Report on pages 43 to 44.</p>  |
| <b>D.2.3 Internal audit function</b>   | Complied   | <p>The internal auditors under the direction of the Audit Committee are tasked with reviewing the adequacy and the effectiveness of the internal controls of the Company. Internal audit function is outsourced to a firm of Chartered Accountants.</p>  |
| <b>D.2.4 Review of the process and effectiveness of risk management and internal controls by the Audit Committee</b>   | Complied   | <p>The Audit Committee monitors, reviews and evaluates the effectiveness of the risk management and internal control system including the internal controls over financial reporting. The internal auditors review the adequacy and effectiveness of the Internal control system and report their findings to the Audit Committee.</p> <p>In the financial year under review, the Board of Directors was satisfied with the effectiveness of the system of internal controls of the Company. Please refer Audit Committee Report on pages 36 to 38</p> |
| <b>D.2.5 Responsibilities of Directors in maintaining a sound system of internal control</b>   | Complied   | <p>Please refer Report of the Directors on the State of Affair of the Company on pages 45 to 48</p>  |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE   | COMPLIANCE | DETAILS OF COMPLIANCE  |
|---|------------|--|
| <p><b>D.3, D.3.1 &amp; D.3.2 Audit Committee, Composition, Duties &amp; Responsibilities and Disclosures of Audit Committee</b></p> <p>The Board should have a formal and transparent arrangement in selecting and applying the accounting policies, financial reporting and internal control &amp; risk management principles and maintaining an appropriate relationship with the Company's External Auditors.</p>  | Complied   | Please refer Audit Committee Report on pages 36. to 38   |
| <p><b>D.4, D.4.1 to D.4.3 Related Party Transaction Review Committee, Composition, Duties &amp; Responsibilities and Disclosures of Related Party Transaction Review Committee</b></p> <p>The Board should establish a procedure to ensure that the Company does not engage in transactions with "related parties" in a manner that would grant such parties "more favorable treatment" than that accorded to third parties in the normal course of business.</p> | Complied   | Please refer Related Party Transactions Review Committee Report on pages 41 to 42  |
| <p><b>D.5, D.5.1 to D.5.4 Code of Business Conduct and Ethics</b></p> <p>The Company should develop a Code of Business Conduct and Ethics for Directors and members of the senior management team.</p>  | Complied   | The Company has developed and institutionalized a strong set of corporate values and code of conduct that is circulated to Directors and all employees. The Board ensures that Directors and employees strictly comply with the code of Business Conduct and Ethics at all levels in the performance of their official duties, communications, role modeling and in any other circumstances, so as to prevent the tarnishing of our Company's image in any manner. The violation of the code of ethics is an offence that is subject to disciplinary action. |
| <p><b>D.5 &amp; D.5.1 Corporate Governance Disclosures</b></p>  | Complied   | We are adhering to the highest standards of corporate governance as is evident in this Annual Report on pages 11 to 33.  |
| <b>SHAREHOLDERS</b>   |            |  |
| <b>E. Institutional Investors</b>   |            |  |
| <p><b>E.1 &amp; E.1.1 Shareholders voting</b></p> <p>Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.</p>   | Complied   | <p>The Company is committed to maintain good communications with investors. The Chairman conducts a structured dialogue with the shareholders based on the mutual understanding of objectives and ensures that the views of the shareholders are communicated to the Board as a whole.</p> <p>The Annual General Meeting is used to have an effective dialogue with the shareholders on matters which are relevant and concern to the general membership.</p>  |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE   | COMPLIANCE | DETAILS OF COMPLIANCE  |
|---|------------|--|
| <b>E.2 Evaluation of Corporate Governance initiatives</b>   | Complied   | Institutional investors are encouraged to give due weight to all relevant factors drawn to their attention when evaluating the governance arrangements particularly in relation to Board structure and composition.    |
| <b>F. Other Investors</b>   |            |  |
| <b>F.1 &amp; F1.1 Investing/ Divesting decision by Individual Shareholders</b>  | Complied   | Individual shareholders are encouraged to carry out adequate analysis and seek the independent advice prior to make investing or divesting directly in shares of the Company.  |
| <b>F.2 Individual shareholders voting</b>   | Complied   | All shareholders are encouraged to participate at meetings of the Company and a Form of Proxy accompanies each Notice providing shareholders who are unable to attend such meeting the opportunity to cast their vote. |
| <b>G. Internet of Things and Cyber-Security</b>   |            |  |
| <p><b>G.1</b> 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 to send and receive information and the consequent cyber security risks that may affect the business.</p> <p>Internal and external parties could have computing devices embedded in everyday objects which may enable them to interconnect with the Company's network to send and receive data. Such access could be authorized or unauthorized.</p> | Complied   | The board assigned this responsibility to the Information Technology Division which ensures security of the IT system.   |
| <p><b>G.2</b> The Board should appoint a Chief Information Security Officer (CISO) with sufficient expertise, authority and budgetary allocation to introduce and implement a Cyber-security risk management policy which should be approved by the Board. The policy should include a robust Cyber security. Risk management process, incident response system, vendor management system, disaster recovery plan and a governance structure to monitor effective implementation, reporting and the need for Cyber security insurance.</p>        | Complied   | IT Manager performs the duties of Chief Information Security Officer (CISO).   |

## Corporate Governance

| CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE  | COMPLIANCE | DETAILS OF COMPLIANCE  |
|--|------------|--|
| <b>H. Environment, Society and Governance (ESG)</b>  |            |  |
| <p><b>H.1 &amp; H 1.1 Companies should provide information in relation to:</b></p> <ul style="list-style-type: none"> <li>◊ <b>The relevance of environmental, social and governance factors to their business models and strategy.</b></li> <li>◊ <b>How ESG issues may affect their business.</b></li> <li>◊ <b>How risks and opportunities pertaining to ESG are recognized managed, measured and reported.</b></li> </ul>  | Complied   | Sustainability principles related to ESG factors are embedded in the operations of the Company and initiatives implemented to ensure adherence by the Company. |
| <p><b>H.1.2</b> Environmental governance of an organization should adopt an integrated approach that takes into consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities.</p>   | Complied   | Refer H.1 & H.1.1 above.   |
| <p><b>H.1.4</b> Companies should establish a governance structure to support its ability to create value and manage risks in the short, medium and long-term, recognizing managing and reporting on all pertinent aspects of ESG.</p> <p>The Company should recognize the key resources/capitals deployed in its business and establish financial and non-financial measures for resource/capital management and related outputs and outcomes.</p> <p>The Company should have a process to ascertain, assess and manage risks which have an impact on the sustainability of the Company.</p> <p>The company should have a process to recognize material matters relating to significant stakeholders and a method of engagement relevant to their level of interest and influence.</p> <p>The disclosures should deal with how the Company has complied with the mandatory and voluntary codes of corporate governance and how its leadership structure, organizational culture, code of conduct and business model supports sustainability of the company in the short, medium and long-term.</p> | Complied   | Process of managing risks in line with ESG aspects is discussed in the Risk management report on pages 43 to 44  |

# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL ECONOMY

The global economy showed signs of recovery during the year 2021, though towards the latter part of the year macroeconomic volatility increased with global output contracting, supply chain disruptions, increase in commodity prices and the Russia-Ukraine war. The Global output contracted in the second quarter of the year, due to the downturns in China and Russia, while US consumer spending undershot expectations. The world economies have suffered from COVID-19 for a prolonged period, the aftermath shocks of the pandemic were hard hit on many nations. The world continues to grapple with high inflation, especially in countries like the United States and major European economies introducing tighter financial conditions. Likewise, the growth slowdown in China due to recurring COVID-19 outbreaks and lock-downs; and further negative spillover effects from the war in Ukraine continue to impact Global growth.

The global economy is projected to slow down from 6.1 percent last year to 3.2 percent in 2022, 0.4 percentage points lower than in April 2022, according to the World Economic Outlook. As a result of the low growth witnessed during the year, there was a reduction in household purchasing power and a tighter monetary policy that drove a downward revision of 1.4 percentage points in the United States. In China, continued lock-downs and expanding real estate crisis led to downward revisions by 1.1 percentage points, with major global spillovers. In Europe, significant downgrades reflected the spillovers from the war in Ukraine and tighter monetary policy.

Meanwhile, global inflation has been revised up owing to the rising food and energy prices as well as persistent supply-demand imbalances. Inflation is anticipated to reach 6.6 percent in advanced economies and 9.5 percent in emerging market and developing economies during the year, an upward revision of 0.9 and 0.8 percentage points, respectively. By 2023, dis-inflationary monetary policy is expected to crunch, with global output growing by just 2.9 percent.

## LOCAL ECONOMY

The year 2021 began with positive developments; main economic sectors showing growth momentum and daily life and the business climate adapting to the new environment. According to the provisional national accounts estimates of the Department of Census and Statistics (DCS), the Sri Lankan economy recorded a growth of 3.7 per cent in 2021, in real terms, compared to the contraction of 3.6 per cent recorded in the preceding year. All key sectors of the economy registered growth during the period (agriculture, forestry and fishing by 2.0 per cent; industry by 5.3 per cent; and services by 3.0 per cent). The performance of the agriculture, forestry and fishing sector was lifted by the notable growth recorded in the subcategories of growing cereals (except rice), oleaginous fruits, and tea, while the

contraction in the growing of rice and other beverage crops weighed negatively on the sectoral performance.

However, this growth momentum was impacted in the second half of the year by intensified COVID-19 situation in the country. The already exhausted economy from the prolonged pandemic lacks the strength to withstand the pressures of a new COVID-19 wave and the related macroeconomic challenges. The country was faced with a severe debt sustainability issue towards the end of the financial year with an acute foreign exchange crisis due to subdued performance in the tourism sector and drop in workers' remittances, rising import bill against the import restrictions, trade shortfall, rupee devaluation and rising inflation leading to an increase in prices of commodities and essential items. By the end of the financial year (initial phase of 2022), the mounting pressure led to the development of socio-political instability.

## PERFORMANCE OF THE PRINTING INDUSTRY

Sri Lanka's printing industry has over 50 years of experience in prepress including quality, planning and scheduling, and supply chain with customer services. The industry works with the latest technology related to packaging, and printing such as flexography and offset. However, as the COVID-19 impact was felt across the business sectors, the industries like packaging which is being increasingly used in trade and businesses encountered difficulties. Issues such as obtaining raw material from international importers, restrictions on the local manufacturing processes, the difficulty in maintaining supply with growing e-commerce activities and fluctuations in pricing significantly impacted the packaging industry. As a result, the local manufacturers continue to operate at low capacity with the available raw material.

Further, in the supply chain process, packaging has consistently played a significant role in protecting the products from being damaged and facilitating the efficient distribution and storage of goods. Also, the packaging is used in almost every industry including pharmaceuticals, food and beverages, apparel and e-commerce, that emphasis its importance for the producers and the end consumer.

On the other hand, there is an increasing preference to adopt environmentally friendly packaging methods for products with packaging styles such as corrugated packaging growing in demand. In recent years, Sri Lanka too has increasingly promoted organic and sustainable products and suppliers amongst consumers and various industries. Therefore, banning hazardous products including harmful packaging has been considered by many companies.

Moreover, many Sri Lankan producers have also begun considering ways to manufacture the raw material needed for packaging within our borders which is expected to immensely benefit the industry despite being a time-consuming and long-term project.

#### Competitiveness of the Sri Lankan Printing Industry

- ◇ An industry with five decades of experience.
- ◇ Quick turnaround time as the industry can produce small and medium quantities within a short period maintaining high quality standards.
- ◇ Exporting to leading brands, supermarket chains and agents.
- ◇ The ability of majority of printers to communicate well in English.
- ◇ Capacity to handle the process from designing to finishing.
- ◇ Production of Eco-friendly products that can be recycled.

### COMPANY PERFORMANCE

The Group revenue decreased by 33% compared to the previous year while the Gross profit margin also witnessing a significant decline. Therefore, the Group reported a loss of Rs. 209.9 Mn for the year 2021/2022 while the Company reported a loss of Rs. 139 Mn compared to Rs. 119.0 Mn and Rs. 105.3 Mn in the preceding year.

Factors such as rising cost of imported raw material due to shortages in the international market and the high shipping charges across the globe due to supply chain disruption impacted the Group and Company performance results during the period. Further, depreciation of the rupee also contributed to the escalation of the cost of raw material. However, we were able to pass only a fraction of this

increase to the customers due to the price competitiveness in the market.

The consumer spending also declined during the year given the COVID-19 pandemic situation and the macroeconomic volatilities which in turn resulted in a decrease in sales of non-essential FMCG food and beverages items. Nevertheless, the food and beverage segment continue to dominate the sector fuelled by the expansion in supermarket distribution network. The Tea revenue dropped compared to the previous year to Rs 64 Mn owing to the reduction in orders for airlines catering packs as the passenger flights were not in operation during the COVID-19 period. The Pharmaceuticals sector recorded a revenue of Rs. 43 Mn, Household care sector a revenue of Rs 27 Mn while the Industrial Marketing segment recorded a revenue of Rs. 63 Mn. Our customised approach and service excellence enable us to retain a significant customer base during the period.

Since the management change over of ACME, we have succeeded in implementing prudent management strategies to streamline the processes with a considerable emphasis on cost management. The key objective was to place the Company on a profitable path once again through a more inclusive approach to the Company operations thereby executing corrective measures as required. On the other hand, with regards to sales, as we are currently focusing on a ratio of 60% local sales and 40% direct & indirect exports, we intend to increase our export customer base in future targeting market segments such as fish exporters and the apparel industry to name a few.

# AUDIT COMMITTEE REPORT

The responsibilities of the Audit Committee are governed by the Audit Committee Charter, which is approved and adopted by the Board. The terms of reference comply with the requirements of the Corporate Governance Rules as per section 7.10 of the Listing Rules of Colombo Stock Exchange (CSE).

The Committee is tasked with assisting the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and other stakeholders in relation to the integrity of Financial Statements of the Group, that a sound financial reporting system is in place and is well managed to give accurate, appropriate and timely information, and complied with Companies Act and other legislative reporting requirements and adequate disclosures are made in the Financial Statements in accordance with the Sri Lanka Accounting Standards.

## COMPOSITION

The Audit Committee consists of three Independent, Non-Executive Directors in conformity with the listing rules of Colombo Stock Exchange, who are;

### Mr. R. Seevaratnam

Chairman - Non-Executive Director

### Dr. J. M. Swaminathan

Member / Independent Non-Executive Director

### Mr. G. K. B. Dasanayaka

Member / Independent Non-Executive Director  
(Appointed w.e.f. 16<sup>th</sup> December 2021)

### Mr. A. C. S. Jayaranjan

Member / Independent Non-Executive Director  
(Appointed w.e.f. 3<sup>rd</sup> February 2022)

The composition follows the requirement to have a minimum of two Independent Non-Executive Directors in terms of the rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

The Audit Committee comprises individuals with extensive experience and expertise in the fields of Finance, Corporate Management, Economics, Human Resources, and Corporate Law. The Chairperson of the Audit Committee is a Chartered Accountant.

Brief profiles of each member are given on pages 07 to 08 of this report under the section Board of Directors. Their individual and collective financial knowledge and business acumen, and the independence of the Committee are brought to bear on their deliberations and judgments on the matters that come within the Committee's purview.

## MEETINGS

The Audit Committee meets as often as may be deemed necessary or appropriate in its judgment and at least quarterly each year. During the year under review, there

were five (5) meetings and attendance of the Committee members are given below;

| Name of The Member   | Attendance | Dates of Meetings |               |               |               |              |
|--|------------|-------------------|---------------|---------------|---------------|--------------|
|  |            | MAY 2021          | 11th Aug 2021 | 20th Aug 2021 | 11th Nov 2021 | 3rd Feb 2021 |
| R. Seevaratnam   | 5/5        | ✓                 | ✓             | ✓             | ✓             | ✓            |
| J. M. Swaminathan  | 5/5        | ✓                 | ✓             | ✓             | ✓             | ✓            |
| G. K. B. Dasanayaka<br>(Ceased w.e.f.28.09.21 & Appointed w.e.f. 16.12.21) | 3/5        | ✓                 | ✗             | ✓             | -             | ✓            |
| A.C.S. Jayaranjan<br>(Appointed w.e.f. 03.02.22)                           | 1/5        | -                 | -             | -             | -             | ✓            |

✓ Present      ✗ Excused

In discharging its responsibilities, the Audit Committee has unrestricted access to the Company's Management, books, and records; and directly communicates with the external and internal auditors through periodical meetings.

## SECRETARY TO THE COMMITTEE

S S P CORPORATE SERVICES (PVT) LTD

## PARTICIPANTS BY INVITATION

The other members who participated, by invitation, at the Audit Committee meetings are

### Mr. H.D.S. Amarasuriya

Executive Chairman  
(resigned from the Company w.e.f. 30.06.2021)

### Mr. A. Hettiarachchy

Executive Chairman  
(Appointed w.e.f. 15.01.2022)

### Mr. A.F Feroze Noon

Group General Manager – Finance & Administration  
(ceased from the Company w.e.f. 30.11.2021)

### Mr. Harith Koshala Perera Jayasuriya

Chief Executive Officer  
(Appointed w.e.f. 07.03.2022)

### Mr. Kasun Chinthana

Finance Manager  
(resigned from the Company w.e.f. 03.03.2022)

### S.A.S.Asiri

Finance Manager (Appointed w.e.f. 03.03.2022)

## ROLE OF THE AUDIT COMMITTEE

ACME Audit Committee is a formally constituted sub-committee of its Board of Directors that operates under a written charter adopted by the Board of Directors. The primary role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to:

## Audit Committee Report

1. The quality and integrity of the Company's financial statements.
2. The adequacy and effectiveness of the Company's internal controls and procedures.
3. The effectiveness of Management's enterprise risk management process.
4. Performance of external and internal auditors and ensuring their objectivity and independence.
5. Compliance by the Company with statutory requirements.

Rules on Corporate Governance under listing rules of the Colombo Stock Exchange and Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka further regulate the composition, role, and functions of the Audit Committee.

### ACTIVITIES

Review the adequacy and the integrity of internal control systems and management information systems, including systems for compliance with applicable laws, rules, directives and guidelines.

6. Propose best practices on disclosures in financial results and Annual Reports of the Company in line with the principles set out in the Code of Corporate Governance, other applicable laws, rules, directives and guidelines.
7. Propose an adequate system of risk management for Management to safeguard Company's assets.
8. Examine any matter relating to financial and other connected affairs of the Company.
9. Review Internal and External Audit Reports and follow up on recommendations.
10. Ensure that a well-managed, sound financial reporting system is in place to provide timely, reliable information to the Board of Directors, Regulatory Authorities, and all other stakeholders.

The Quorum for a meeting is two members. The agenda and the papers for the meetings are circulated among the members with sufficient notice. The proceedings of the Audit Committee are regularly reported to the Board of Directors, and the minutes of the meetings are made available to the Board of ACME Printing & Packaging PLC

### COMPLIANCE WITH RULES AND REGULATIONS

The Audit Committee reviewed the reports submitted by the Management and the Internal Auditors on compliance with applicable laws and regulations. The Committee is satisfied that Laws and Regulations are duly complied with and statutory payments have been made on a timely basis.

### FINANCIAL REPORTING

As part of its responsibility to oversee the Company's financial reporting process on behalf of the Board of Directors, the Committee has reviewed and discussed with the Management the annual and the quarterly Financial Statements before their issuance, including the extent of compliance with the Sri Lanka Financial Reporting Standards and the Companies Act No.07 of 2007.

- ◊ The Committee reviewed financial statements and notes for the year ended 31<sup>st</sup> March 2022
- ◊ The Committee reviewed the interim financial statements

### RISK MANAGEMENT AND INTERNAL CONTROL

In its review of the effectiveness of internal controls, the Committee examined the business processes to ensure that reasonable assurance can be provided to the directors that assets are safeguarded and that the financial reporting system can be relied upon in the preparation and presentation of the Financial Statements. The Audit Committee monitors and guides the firm of Chartered Accountants engaged in the Internal Audit, in its audits, according to the plan of activities which covers financial and operational audits, risk assessments and IT security reviews. The reports of the Internal Auditors have been reviewed, discussed by the Committee, and initiated corrective measures.

The Committee identifies and assesses the risks attached to different areas of operation and the effectiveness of internal controls. Formal confirmations and assurances are obtained from Management regularly regarding the efficiency of the internal control system and risk management system, and compliance with applicable laws and regulations. The Board of Directors and Audit Committee obtain and are guided by technical advice from external consultants as required.

### EXTERNAL AUDIT / INDEPENDENT AUDITORS

The Audit Committee assessed the independence and performance of the Company's external auditors and made recommendations to the Board on appointment/ re-appointment.

Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Group.

The Committee met with the External Auditor during the year to discuss their audit approach and procedures, including matters relating to the scope of the audit.

The Committee perused transactions with the External Auditors and ensured that there was no significant material transaction between the External Auditors and the companies in the Group. The Committee further perused the share register and ensured that the External Auditors held no shares

## **AUDIT COMMITTEE REPORT**

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The Committee is satisfied that the independence and objectivity of the Independent External Auditors has not been impaired by any event or service that gives rise to a conflict of interest.

The Audit Committee recommends the re-appointment of Messrs. KPMG for the financial year ending 31<sup>st</sup> March 2022, subject to the shareholders' approval at the Annual General Meeting.

### **CONCLUSION**

In its continuous assessments, the Audit Committee is satisfied that based on the reports submitted by the External Auditors, the Internal Auditors and the Group's accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded.

Finally, I would like to thank the members of the Committee, Dr. J. M. Swaminathan, Mr. G. K. B. Dasanayaka and Mr. A.C.S.Jayaranjan for their valuable contribution with their vast commercial experience and professional expertise. I also thank the Chairman of the Group and the Secretary to the Committee for their contribution.

On behalf of the Audit Committee

(Sgd.)

**R. Seevaratnam**

Chairman,  
Audit Committee.

Colombo  
30<sup>th</sup> August 2022

# REMUNERATION COMMITTEE REPORT

## COMPOSITION OF THE REMUNERATION COMMITTEE

As of the reporting date, the Committee comprises Three Non-executive directors, two of whom are independent. The Composition of the Committee mentioned below fulfilled the requirements of the Listing Rules No. 7.10.5 of the Colombo Stock Exchange.

## MEMBERS OF THE COMMITTEE

### Mr. G.K.B. Dasanayaka

Chairman / Independent Non-Executive Director  
(Appointed w.e.f on 16.12.2021)

### Dr. J.M. Swaminathan

Member / Independent Non-Executive Director.

### Mr. A. Rajaratnam

Non-Executive Director (Appointed w.e.f. 16.12.2021)

The members of the Committee refrain from taking part in determining in their own remuneration

### Mr. S. Kumar

Non-Executive Director.  
(Resigned w.e.f. 01.12.2021)

## REGULAR ATTENDEES BY INVITATION

### Mr. H.D.S. Amarasuriya

Executive Chairman  
(resigned from the Company w.e.f. 30.06.2021)

### Mr. A. Hettiarachchy

Executive Chairman  
(Appointed w.e.f. 15.01.2022)

### Mr. A. F Feroze Noon

Group General Manager –Finance & Administration  
(Ceased from the Company w.e.f. 30.11.2021)

### Harith Koshala Perera Jayasuriya

Chief Executive Officer  
(Appointed w.e.f. 07.03.2022)

### Mr. Keith Bernard

Chief Executive Officer  
(resigned from the Company w.e.f. 28.02.2022)

### S S P Corporate Services (Pvt) Ltd

Secretary to the Committee

## ROLE & RESPONSIBILITIES OF THE REMUNERATION COMMITTEE

The Committee is responsible for determining the remuneration policy of the Directors and the Management and determines the overall individual remuneration packages, which includes compensation on termination of employment. The Committee also evaluates the performance of the Directors and Senior Management of the Business Units.

## MEETINGS

The Chairman of the Committee can convene a special meeting in the event a requirement arises, provided all

members are given sufficient notice of such a special meeting. The Quorum for a meeting is two members. The Executive Chairman was invited to participate in the Committee meetings as and when required, considering the topics for deliberation at such meeting.

The Committee met once during the year under review, and the attendance of the Remuneration Committee meeting was as follows,

| Name of The Member   | Attendance | Dates of Meetings |
|--|------------|-------------------|
|  |            | 1st June 2021     |
| Mr. G. K. B. Dasanayaka (Chairman)<br>(Resigned w.e.f. 28.09.21 and Appointed w.e.f. 08.12.21) | 1/1        | ✓                 |
| Dr. J. M. Swaminathan  | 1/1        | ✓                 |
| Mr. A.Rajaratnam<br>(Appointed w.e.f. 16.12.21)  | -          | -                 |

The Minutes of the Remuneration Committee approved by the said Committee are circulated and affirmed by the Board of Directors.

## SCOPE OF THE COMMITTEE

The scope and the responsibility of the Remuneration Committee include,

1. The committee study and recommends the remuneration policy of Directors & Key Management Personnel. Decisions on the matters relating to remuneration of Senior Management Team were arrived in consultation with the Chairman.
2. Review the performances of Key Management Personnel on a periodic basis.
3. Seek independent external professional advice on matters within its purview, if considered necessary.
4. To approve annual salary increments, bonuses and changes in incentives.

The Committee is not responsible for setting the level of remuneration of Non-Executive Directors, which is determined by the Board.

## EMPLOYMENT REPORT

The success and growth of ACME is dependent on the knowledge and collective skills of its employees. The Company recognizes its responsibilities towards employees and is committed to facilitating learning and development in order to create a highly skilled and motivated workforce,

## Remuneration Committee Report

thereby reaching a higher level of excellence.

The table below reflects the employment report of the Company as at 31<sup>st</sup> March 2022.

| LEVELS   | NUMBER OF EMPLOYEES |
|--|---------------------|
| Top Management   | 02                  |
| Senior Management  | 01                  |
| Professionally Qualified and Experienced Middle Management | 11                  |
| Technically Qualified Executives and Other Executives      | 15                  |
| Clerical and Office Staff                                  | 16                  |
| Factory Staff and Foremen                                  | 23                  |
| Factory Workers (Skilled Machine Operators and Helpers )   | 79                  |
| <b>Total Number of employees as at 31 March 2022</b>       | <b>147</b>          |
| Number of vacant positions as at 31 March 2022             | 57                  |

In light of the COVID-19 impact on the businesses and its people, the Group developed and implemented a Working Arrangement Protocol, which set out the working practices to be followed by Group employees to maintain their health and safety.

### FEES

Director's emoluments in aggregate for Executive and Non-Executive Directors are disclosed in note 07 to the financial statements on page 71.

### REMUNERATION POLICY

The Company's remuneration policy is designed to attract, motivate, and retain the Company's executive team, with market competitive remuneration and benefits to achieve the objectives of the Company. Accordingly, salaries and other benefits are reviewed periodically, taking into account the performance of the individual and industry standards to attract and retain Executive Directors and the senior management team members.

The Remuneration package includes basic salary, traveling allowance, fixed monthly allowances, performance based monthly incentives and healthcare insurance. The Committee meets from time to time to review and assure alignment of the Company's compensation structure and human resource requirements with the strategic decisions taken by the Board and compensation offered by competitors.

The Committee also reviews the policies pertaining to the remuneration and perquisites of the Executives of the Company.

Due to the prevailing COVID-19 pandemic situation the focus of the committee during this challenging year was the protection of employment and livelihoods. Hence, salary increases had to be kept on hold for the following year.

### CONCLUSION

The Committee is satisfied that it has completed the responsibilities that were delegated to it by the Board and the necessary objectives were achieved.

The Company will continue to focus on introducing and strengthening HR policies, practices & systems in the area of performance management, employee recognition and employee engagement.

### APPRECIATION

I would like to thank my colleagues in the Committee for their valuable contribution to the Committee's progress.

(Sgd.)

#### **G.K.B. Dasanayaka**

Chairman

Human Resources & Remuneration Committee

Colombo

30<sup>th</sup> August 2022

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The key focus of the Committee is to review all proposed Related Party Transactions before entering or completing the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

## COMPOSITION OF THE COMMITTEE

As of the date of this report, the Committee of ACME Printing & Packaging PLC consists of three (03) Members. The members of the Committee during the year were:

### Dr J.M. Swaminathan

Chairman / Independent Non-Executive Director

### Mr. G.K.B. Dasanayaka

Member, Independent Non-Executive Director  
(Ceased to be a member w.e.f. 28.09.2021 and re-appointed as a member w.e.f. 16.12.2021)

### Mr. P.M.A.Sirimanne

(Appointed w.e.f. 03.02.2022)

## REGULAR ATTENDEES BY INVITATION

### Mr. H.D.S. Amarasuriya

Executive Chairman

(resigned from the Company w.e.f. 30.06.2021)

### Mr. A. Hettiarachchy

Executive Chairman - (Appointed w.e.f. 15.01.2022)

### Mr. A. F Feroze Noon

Group General Manager – Finance & Administration

(Ceased from the Company w.e.f. 30.11.2022)

### Mr. Kasun Chinthana

Finance Manager

(resigned from the Company w.e.f. 03.03.2022)

### Mr. Harith Koshala Perera Jayasuriya

Chief Executive Officer - (Appointed w.e.f. 07.03.2022)

### Mr. S. A. S. Asiri

Finance Manager - (Appointed w.e.f. 03.03.2022)

### S S P Corporate Services (Pvt) Ltd

Secretary to the Committee

## MEETINGS

The Committee formally held four meetings during the year under review, and the attendance of the Related Party Transactions Review Committee meeting was as follows,

| Name of The Member  | Attendance | Dates of Meetings |                |                |               |
|---|------------|-------------------|----------------|----------------|---------------|
|   |            | May 2021          | 11th Aug. 2021 | 11th Nov. 2021 | 3rd Feb. 2022 |
| J. M. Swaminathan   | 4/4        | ✓                 | ✓              | ✓              | ✓             |
| G. K. B. Dasanayaka<br>(Ceased w.e.f.28.09.21 and re-appointed w.e.f. 16.12.2021) | 3/4        | ✓                 | ✓              | -              | ✓             |
| R. Seevaratnam<br>(Ceased w.e.f. 03.02.2022)                                      | 3/4        | ✓                 | ✓              | ✓              | -             |
| P. M. A. Sirimane<br>(Appointed w.e.f. 16.12.21)                                  | 1/4        | -                 | -              | -              | ✓             |

The Quorum for a meeting is two members. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

## SCOPE OF THE COMMITTEE

The Committee is responsible for making appropriate disclosure on Related Party Transactions in the Annual Report to the shareholders, as required by Section 9 of the continuing Listing requirements of Colombo Stock Exchange

To exercise oversight on behalf of the Board, that all Related Party Transactions ("RPTs", other than those exempted by the CSE listing rules on the Related Party Transactions) of ACME Printing & Packaging PLC and all its subsidiaries are carried out and disclosed in a manner consistent with the CSE listing rules

- ◊ To advise and update the Board of Directors on the related party transactions of each of the subsidiaries on a quarterly basis.
- ◊ To ensure compliance with the CSE listing rules on the Related Party Transactions.
- ◊ To review policies and procedures of Related Party Transactions of the Group.
- ◊ To ensure shareholder interests are protected and that fairness and transparency are maintained.

## DUTIES & RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW

- ◊ Formulate and recommend a policy for the adoption of related party transactions for the Company which is consistent with the provisions of the Code and the Rules.
- ◊ Review in advance all proposed related party transactions of the group other than those transactions explicitly exempted which are in conformity with the Listing Rules and with a view to best serve the interests of the Company.
- ◊ To monitor all related party transactions to ensure that they are carried out on normal commercial terms so that they are not in any way disadvantageous to the best interests of the Company and its minority shareholders.
- ◊ Obtain expert knowledge and advice from within the Company or outside to assess proposed related party transactions.
- ◊ To review both recurrent and non-recurrent-related party transactions.
- ◊ Recommend to the Board and obtain their approval before executing related party transactions, whenever necessary.

## *Related Party Transactions Review Committee Report*

- ◇ Make immediate market disclosures on applicable related party transactions as required by the Continuing Listing Requirements of the CSE.
- ◇ Include appropriate disclosures on related party transactions in the annual report as required by the Continuing Listing Requirements of the CSE.

### **PROCEDURES FOR REPORTING RPTS**

The Finance Manager is responsible for reporting to the Committee, for its review and approval the information set out under Rule 30 of the Code at the minimum, in respect of each related party transaction proposed to be entered into other than the exceptions given in Rule 27 of the code. Moreover, on a quarterly basis, the Finance Manager is required to report to the Committee on the approved related party transactions actually entered into by the Company.

### **RELATED PARTY TRANSACTIONS DURING THE YEAR 2021/2022**

The Committee reviewed all related party transactions of the Company for the financial year 2021/22. It was observed that all related party transactions entered during the year were of a recurrent trading nature and were necessary for the Company's day-to-day operations. In the opinion of the Committee, the terms of these transactions were not more favorable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 29 to the Financial Statements, on pages 85 to 87 of this Annual Report.

### **DECLARATION**

A declaration by the Board of Directors in the annual report to the effect that no related party transaction falling within the provisions of the Listing Rules was entered into by the Company during the year under review, is given in the annual report of the Board of Directors in pages 45 to 48 On behalf of the Related Party Transaction Review Committee

(Sgd.)

**Dr. J. M. Swaminathan**

Chairman

Related Party Transaction review committee.

Colombo

30<sup>th</sup> August 2022

# ENTERPRISE RISK MANAGEMENT

Risk management involves identifying potential risk exposure faced by the Company and implementing proper risk management techniques to mitigate such risks. A disciplined approach to risk management is important in order to ensure successful execution of strategic objectives and to express our acceptance towards risk management for which we have adequately compensated for.

The Board of Directors has overall responsibility for risk oversight with a focus on the most significant risks facing the Company. We consider risk management as a vital component in our operations and build upon management's risk assessment and mitigation processes, which include standardised reviews of long-term strategic and operational planning; executive development and evaluation; regulatory and litigation compliance; health, safety and environmental compliance; financial reporting and controls; and information technology and security. The Company has established appropriate internal control systems and other risk mitigation techniques to ensure the delivery of shareholder wealth and to meet its obligations to other stakeholders.

## INTERNAL CONTROLS

The Directors acknowledged their responsibility for the Company's system of internal control. The system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

## BUSINESS RISK

The business risk management is a dynamic process due to the constant change and complexity in the operating environment of the Group. The different business operations of the Group and their performance are subject to a variety of risk factors which are constantly monitored and evaluated by the management in order to respond effectively.

## COMPETITIVE ENVIRONMENT

Our businesses are highly competitive. Failure to compete with competitors on areas including price, product range, quality and service would have an adverse effect on the Group's financial results. Hence we aim to have a broad appeal in price range and format in a way that allows us to compete effectively.

## PEOPLE CAPABILITIES

Our greatest asset is our employees. It is critical to our success to attract, retain, develop and motivate the best people with the right capabilities at all levels of operations. We review our people and policies regularly and are committed to investing in development and incentives for our people. There are clear processes for understanding and responding to employees' needs through HR initiatives, and communication of business developments.

## HEALTH AND SAFETY RISKS

The safety of our staff and customer is of paramount importance to us. We operate stringent health and safety processes in line with best practices in our manufacturing facilities, stores and offices.

## IT SYSTEMS AND INFRASTRUCTURE

The business is dependent on efficient information technology (IT) systems. We have extensive controls in place to maintain the integrity and efficiency of our IT infrastructure and to ensure consistency of delivery, and all relevant staff is effectively engaged to mitigate IT related risks through effective policy and procedures as well as increased awareness.

## INTEREST RATE AND EXCHANGE RATE RISK

The Group mostly uses its foreign currency proceeds to settle import bills, which effectively provides for foreign exchange exposure by minimizing any adverse impact.

By having a centralized treasury management system and through appropriate financial risk management techniques, the Group has been able to mitigate losses arising through interest rate fluctuations.

## CREDIT RISK

Credit risks arise due to the non-payment by debtors which can lead to working capital issues. Export sales are done on letter of credits as much as possible. Company extends credit facilities to customers during the course of business. We undertake actions such as implementation of Group credit policy, evaluation of customers prior to granting credits, periodic review of receivables by the Group Management Committee and credit suspension on overdue accounts and legal procedures for recovery of long overdue receivables to mitigate the credit risk.

## MARKET RISK

A broad definition of market risk is exposure to adverse movements in the securities markets for both equity and fixed income investments, which can result in value loss as well as variations in the anticipated returns from those securities. All financial institutions face market risks, created by changes in the macro environment related to political factors, national security economic management and globalisation influences which have an impact on systematic risk factors such as interest rates, currency parity, inflation, and availability of credit. Therefore, understanding market risks requires considering multiple dimensions and complexity in the macro environment.

Market risks are inherent in every security and are thus collectively considered at the portfolio level to take into account the asset allocation decisions of the portfolio.

## **Enterprise Risk Management**

### **INVENTORY MANAGEMENT RISK**

Plan monthly production based on budgets and sales forecasts and review during production planning meetings held regularly. Adopt various quality standards at different stages to verify the quality until the product is delivered. Carryout stocks verifications on periodically to identify non-moving stocks and regularly monitor inventory days.

### **TECHNOLOGICAL AND QUALITY RELATED RISK**

Develop a long term plan to replace existing machines with technology advanced machines, obtain certificates from relevant authorities and ensure products comply with most of the local and international standards and already the equipment required to test the quality of products are in place.

### **GENERAL SECURITIES RISK**

Any trading in securities carries inherent investment risks, associated with the entity issuing those securities in particular the price of value of any security can and does fluctuate and may even become valueless, resulting in possible loss not only of returns and profits but even also of all or part of the principal sums invested. These risks arise as a result of the overall risks faced by the issuing entity which affects its ability to provide a return to the investors holding the securities issued by it. Particularly in the case of equities past performance of any investment is not necessary indicative of future performance.

### **LEGAL COMPLIANCE**

ACME Printing and Packaging PLC complies with all legal and regulatory provisions applicable to it. The legal function pro-actively identifies and sets up appropriate systems and processes for legal and regulatory compliance in respect of all our investments. The internal audit function of the Group ensures the safeguarding of Company assets and recommends process improvements in areas where process control failures are noted.

### **REGULATORY COMPLIANCE**

The operations of the ACME Printing and Packaging PLC come within the rules and regulations applicable to companies listed on the CSE and regulations applicable to securities trading set by the Securities and Exchange Commission of Sri Lanka. Our systems and processes are structured to satisfy the criteria set by these regulations and staff are constantly kept aware of the compliance needs imposed by these regulations.

### **OPERATIONAL RISKS**

We manage operational risks by identifying areas of risk, formulating plans for their management, promoting best practices, implementing internal controls and systems and monitoring compliance. Operational risks mainly cover the areas of system failure, continuity of decision making, dealing with contingencies and ensuring efficiency in operations and correct application of recommended management practices.

### **ISSUES PERTAINING TO EMPLOYEES AND INDUSTRIAL RELATIONSHIP**

The Board of ACME Printing and Packaging PLC assesses all the issues with regard to employees and industrial relation which influence the performance of the Group. ACME Printing and Packaging PLC takes considerable number of steps to ensure employees are satisfied at all the levels and their issues are addressed in order to retain talented employees. A well structured grievance handling system is in place to handle the grievances of employees at all levels. We make sure to maintain pertinent industrial relationship with all the governmental agencies. There are no issues which affect the Company's performance to be disclosed.

# ACME PRINTING AND PACKAGING PLC

## REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

The Board of Directors is pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> March 2022. The details set out herein provide pertinent information required by the Companies Act, No.7 of 2007, the Listing Rules of the Colombo Stock Exchange and are guided by recommended best accounting practices.

### 01. REVIEW OF THE YEAR

The Chairman's Statement at page 09 & 10 reviews the affairs of the Company for the financial year ended 31<sup>st</sup> March 2022. These reports form an integral part of the report of the Board of Directors

### 02. PRINCIPAL ACTIVITY

The principal activity of the Company is the manufacture of a wide range of flexible packaging material for local and export markets. The main industrial sectors serviced are tea, food, confectionery, milk powder, pharmaceuticals and consumer products.

### 03. FINANCIAL STATEMENTS

The audited financial statements of the Company and Group are given on pages 55 to 94

### 04. AUDITORS' REPORT

The Auditor's report on the financial statements is given on page 52 to 54

### 05. ACCOUNTING POLICIES

The accounting policies adopted in preparation of Financial Statements and the other explanatory notes are given on pages 59 to 70 There were no material changes in the Accounting Policies adopted and are consistent with those followed in the preparation of financial statements for the year ended 31<sup>st</sup> March 2021.

### 06. INTEREST REGISTER

The Company maintains an Interest Register and the particulars of those directors who were directly or indirectly interested in a contract of the Company are stated therein.

### 07. DIRECTORS' INTEREST

None of the directors had a direct or indirect interest in any contracts or proposed contracts with the Company other than as disclosed in Note 29 related party transactions to the financial statements.

### 08. DIRECTORS' REMUNERATION AND OTHER BENEFITS

Directors remuneration in respect of the Company for the financial year ended 31<sup>st</sup> March 2021 is given in Note 07 to the financial statements.

### 09. CORPORATE DONATIONS

No Donations were made for political purpose or otherwise by the Company during the year 2021/2022 as well as in 2020/2021.

### 10. DIRECTORS AND THEIR SHAREHOLDINGS

The Directors of the Company and their respective shareholdings as at 31<sup>st</sup> March 2022.

|   | NUMBER OF SHARES HELD |            |
|---|-----------------------|------------|
|   | 31.03.2022            | 31.03.2021 |
| Mr. A. Hettiarachchy<br>Executive Chairman<br>(Appointed w.e.f. 12 <sup>th</sup> January 2022 as Executive Chairman w.e.f. 15 <sup>th</sup> January 2022)                 | Nil                   | Nil        |
| Dr. J.M. Swaminathan<br>Independent Non-Executive   | Nil                   | Nil        |
| Mr. R. Seevaratnam<br>Non-Executive   | Nil                   | Nil        |
| Mr. A.Rajaratnam<br>Non-Executive<br>(Appointed w.e.f. 30 <sup>th</sup> November 2021)  | Nil                   | Nil        |
| Mr. P.S. Goonewardene<br>Non-Executive<br>(Appointed w.e.f.30 <sup>th</sup> November 2021)  | Nil                   | Nil        |
| Mr.P.M.A. Sirimane<br>Non-Executive<br>(Appointed w.e.f. 30 <sup>th</sup> November 2021)  | Nil                   | Nil        |
| Mr. G.K.B. Dasanayaka<br>Independent Non-Executive<br>(Appointed w.e.f. 8 <sup>th</sup> December 2021 as Independent Non-Executive w.e.f. 13 <sup>th</sup> December 2021) | Nil                   | Nil        |
| Mr. S.D.R. Arudpragasam<br>Non-Executive<br>(Appointed w.e.f. 12 <sup>th</sup> January 2022)  | 111,628               | 111,628    |
| Hatton National Bank/<br>Mr. S.D.R. Arudpragasam  | 100,000               | Nil        |
| Mr.A.C.S. Jayaranjan<br>Independent Non-Executive<br>(Appointed w.e.f. 12 <sup>th</sup> January 2022 as Independent Non-Executive w.e.f. 3 <sup>rd</sup> February 2022)   | Nil                   | Nil        |

Mr. G.K.B. Dasanayaka, Independent Non-Executive Director resigned from the Board with effect from 28<sup>th</sup> September 2021.

Messrs A. Rajaratnam, P.S. Goonewardene and P.M.A. Sirimane were appointed as Non-Executive Directors to the Board with effect from 30<sup>th</sup> November 2021.

Mr. Sanjeev Kumar, Non-Executive Director resigned from the Board with effect from 1<sup>st</sup> December 2021.

Mr. G. K. B. Dasanayaka was appointed as a Non- Executive Director on 8<sup>th</sup> December 2021 and as an Independent Non-Executive Director with effect from 13<sup>th</sup> December 2021.

Messrs. A. Hettiarachchy, S.D.R. Arudpragasam and A.C.S. Jayaranjan who were over 70 years of age were appointed to the Board by the shareholders on 12<sup>th</sup> January 2022.

# ACME PRINTING AND PACKAGING PLC

## REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

Mr. A. Hettiarachchy was appointed Executive Chairman of the Board with effect from 15<sup>th</sup> January 2022.

Mr. A. C. S. Jayaranjan was appointed Independent Non Executive Director with effect from 3<sup>rd</sup> February 2022.

In terms of Article 91 of the Articles of Association of the Company, Messrs. A. Rajaratnam, Mr. P.S. Goonewardene, P.M.A. Sirimane and G.K.B Dasanayaka retire at the Annual General Meeting and being eligible offer themselves for re-election as recommended by the Directors.

A resolution for the re-appointment of Dr.J.M.Swaminathan, as a Director who is 81 years of age will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No.7 of 2007. Dr. J.M. Swaminathan's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Mr. R. Seevaratnam, as a Director who is 78 years of age will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No.7 of 2007. Mr. R. Seevaratnam's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Mr. A. Hettiarachchy, as a Director who is 73 years of age will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No.7 of 2007. Mr.A. Hettiarachchy's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Mr. S.D.R. Arudpragasam, as a Director who is 71 years of age will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No.7 of 2007. Mr. S.D.R. Arudpragasam's re-appointment is recommended by the Directors.

A resolution for the re-appointment of Mr. A.C.S. Jayaranjan, as a Director who is 72 years of age will be proposed at the Annual General Meeting in terms of Section 211 of the Companies Act No.7 of 2007. Mr. A.C.S. Jayaranjan's re-appointment is recommended by the Directors.

### 11. BOARD SUB-COMMITTEES

The following Board Sub-Committees are functional.

#### ◇ AUDIT COMMITTEE

**R. Seevaratnam.**

Chairman/ Non-Executive Director

**Dr. J.M. Swaminathan**

Member/Independent Non-Executive Director

**Mr. G.K.B. Dasanayaka**

Member/Independent Non-Executive Director

**Mr. A.C.S. Jayaranjan**

Member/ Independent Non-Executive Director

The report of the audit committee appears on pages 36 to 38

#### ◇ REMUNERATION COMMITTEE

**Mr. G.K.B. Dasanayaka**

Chairman/Independent Non-Executive Director

**Dr. J.M. Swaminathan**

Member/Independent Non-Executive Director

**Mr. A. Rajaratnam**

Member/Non Executive Director

The report of the Remuneration committee appears on pages 39 to 40

#### ◇ RELATED PARTY TRANSACTION REVIEW COMMITTEE

**Dr. J.M. Swaminathan**

Chairman/Independent Non-Executive Director

**Mr. G.K.B. Dasanayaka**

Member/Independent Non-Executive Director

**Mr.P.M.A. Sirimane**

Non-Executive Director

The Board of Directors confirms that all applicable rules in the Code of Best Practice on Related Party Transactions and Section 9 of CSE Listing Rules have been complied with by the Group as at the date of this Report. The report of the Related Party Transaction Review Committee appears on pages 41 To 42

#### ◇ HR COMMITTEE

**Mr. G.K.B. Dasanayaka**

Chairman/Independent Non-Executive Director

**Mr. A.C.S. Jayaranjan**

Member/Independent Non-Executive Director

**Mr. A. Hettiarachchy**

Member/Executive Director

#### ◇ FINANCE COMMITTEE

**Mr. S.D.R. Arudpragasam**

Chairman/Non-Executive Director

**Mr. A. Rajaratnam**

Member/Non-Executive Director

**Mr. P.M.A. Sirimane**

Member/Non-Executive Director

**Mr. P.S. Goonewardene**

Member/Non-Executive Director

#### ◇ TECHNICAL COMMITTEE

**Mr. A.C.S. Jayaranjan**

Chairman/Independent Non-Executive Director

**Mr. G.K.B. Dasanayaka**

Member/Independent Non-Executive Director

**Mr. P.S. Goonewardene**

Member/Non-Executive Director

**Mr. A. Rajaratnam**

Member/Non-Executive Director

**Mr. A. Hettiarachchy**

Member/Executive Director

# ACME PRINTING AND PACKAGING PLC

## REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

### 12. AUDITORS

The financial statements for the year ended 31<sup>st</sup> March 2022 have been audited by Messrs KPMG, Chartered Accountants, who express their willingness to continue in office. In accordance with the Companies Act No.07 of 2007, a resolution relating to their re-appointment and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

The fees paid to the Auditors are disclosed in Note 07 to the financial statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

### 13. DIVIDENDS

The directors do not recommend a dividend for the year ended 31<sup>st</sup> March 2022.

### 14. INVESTMENTS

Details of investments held by the Company are disclosed in Notes 13 to 14 to the financial statements.

### 15. PROPERTY, PLANT AND EQUIPMENT

An analysis of the property, plant and equipment of the Company, additions and disposals made during the year and depreciation charged during the year are set out in Note 11 to the financial statements.

### 16. CAPITAL COMMITMENTS

The capital expenditure approved by the Board for the financial year ended 31<sup>st</sup> March 2022 was Nil (2020/2021 - Nil).

### 17. GOING CONCERN

The Board is satisfied that the Company will continue its operations in the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing the Financial Statements.

Please refer not 34 in page 93.

### 18. STATED CAPITAL

The Stated Capital of the Company is Rs592,813,237/- There was no change in the Stated Capital of the Company during the year.

### 19. TAXATION

The tax position of the Company is given in Note 09 to the Financial Statements

### 20. DISCLOSURE AS PER COLOMBO STOCK

### EXCHANGE RULE NO. 7.6

|   | 31.03.22  | 31.03.21 |
|---|-----------|----------|
| Market price per share as at 31 <sup>st</sup> March | Rs. 11.00 | Rs. 6.50 |
| Highest share price during the year                 | Rs. 22.50 | Rs. 6.90 |
| Lowest share price during the year                  | Rs. 5.70  | Rs. 2.30 |

### 21. SHAREHOLDING

The number of registered shareholders of the Company as at 31<sup>st</sup> March 2022 are 1,763.

### 22. MAJOR SHAREHOLDERS

The twenty largest shareholders of the Company as at 31<sup>st</sup> March 2022, together with an analysis are given on page 97

### 23. STATUTORY PAYMENTS

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

### 24. CORPORATE GOVERNANCE/INTERNAL CONTROL

The Board of Directors confirms that, as at date of the Annual Report, the company complies with and is committed to good corporate governance. The Company has 5 Non-Executive Directors, 1 Executive Director and 3 Independent Non-Executive Directors on its Board. The Board as a whole decided on the appointment of Independent Non-Executive Directors. The Directors so appointed retire in rotation at each annual general meeting and seek re-appointment by the shareholders.

According to listing rules 7.10.4 (e) Dr. J. M. Swaminathan, Independent Non-Executive Director of the Company who has served on the Board for a period exceeding nine years is consequently not independent by reason thereof.

The Independent Non-Executive Director of the Company namely Dr. J. M. Swaminathan, is a Director of Acme Packaging Solutions (Private) Limited, Colombo Fort Land and Investment PLC, CM Holdings PLC, Colombo Investments PLC and Fort Investments PLC a Director of in which majority of the other Directors of the Company are Directors.

The Independent Non-Executive Director of the Company namely Mr. G. K. B. Dasanayaka, is a Director of Acme Packaging Solutions (Private) Limited, Lankem Ceylon PLC, JF Packaging Limited and Ceylon Tapes (Private) Limited in which majority of the other Directors of the Company are Directors.

The Independent Non-Executive Director of the Company namely Mr. A.C.S. Jayaranjan, is a Director of Acme Packaging Solutions (Private) Limited, Lankem Ceylon PLC, Ceylon Tapes (Private) Limited and JF Packaging Limited in

# ACME PRINTING AND PACKAGING PLC

## REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

which majority of the other Directors of the Company are Directors.

According to listing rule 7.10.4 (g) a Non-Executive Director is presumed to be non independent if he is a Director of another Company in which majority of the other Directors of the Company are also Directors.

However, in the opinion of the Board of Directors Dr. J.M. Swaminathan, Mr. G.K.B. Dasanayaka and Mr. A.C.S. Jayaranjan satisfy other qualifying criteria in terms of Independence and the Board of Directors having also considered such other factors from a holistic perspective are of the opinion that Dr. J.M. Swaminathan, Mr. G.K.B. Dasanayaka and Mr. A.C.S. Jayaranjan are Independent Directors.

The Board of Directors holds regular meetings and also meet if circumstances warrant. The Board reviews the strategic direction of the Company the exposure of key business risks, the annual budgets and the progress toward achieving these budgets and their capital expenditure programs.

The Directors are responsible for the Company's systems of internal finance controls. The Board has reviewed the effectiveness of the systems of finance controls for the period up to the date of signing the accounts. The Directors responsibility for the financial statements is described on page 50.

### 25. CONTINGENT LIABILITIES

There were no contingent liabilities as at reporting date which would require adjustments to or disclosure in the financial statements of the Company or Group other than contingent liabilities disclosed in Note 28 to the financial statements.

### 26. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to the date of the Financial Statement of Financial Position, no circumstances have arisen which would require adjustments to the accounts. There are also no significant post balance sheet events which in the opinion of the Directors require disclosure.

### 27. ANNUAL GENERAL MEETING

the 73<sup>rd</sup> Annual General Meeting of Acme Printing and Packaging PLC (the Virtual AGM) will be held via online meeting platform (Zoom app) on 26<sup>th</sup> September 2022 at 1.00 p.m.

For and on behalf of the Board of Directors of  
**ACME PRINTING AND PACKAGING PLC**

(Sgd.)  
**Director**

(Sgd.)  
**Director**

(Sgd.)  
**S S P Corporat ices (Private) Limited,**  
Secretaries

Date: 30<sup>th</sup> August 2022

# RESPONSIBILITY STATEMENT OF EXECUTIVE CHAIRMAN AND FINANCE MANAGER

## COMPLIANCE WITH LAWS AND REGULATIONS

The Financial Statements of ACME Printing & Packaging PLC and the Consolidated Financial Statements of the Company and its subsidiary (the Group) for the year ended 31<sup>st</sup> March 2022 are prepared and presented in compliance with the requirements of the followings:

- ◇ Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (SLFRS/LKAS).
- ◇ Companies Act No. 07 of 2007 .
- ◇ Listing Rules of the Colombo Stock Exchange.
- ◇ Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.
- ◇ Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka in 2017.

## FINANCIAL REPORTING

The Significant Accounting Policies used in the preparation of the consolidated Financial Statements are appropriate and are consistently applied, except unless otherwise stated in the notes accompanying to the Financial Statements. The Significant Accounting Policies and estimates that involved a high degree of judgment and complexity were discussed with the Audit Committee and Company's External Auditors. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The Board of Directors and the Management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect a true and fair view and the form & substance of transactions reasonably present the Company's state of affairs. We confirm that to the best of our knowledge, the Financial Statements, significant Accounting Policies and other financial information included in this Annual Report, fairly present all material aspects regarding the financial position, results of the operations and the Cash Flows of the Group during the year under review.

We also confirm that the Group has adequate resources to continue in operation and have applied the Going Concern basis in preparing these Financial Statements.

## SYSTEM OF INTERNAL CONTROL

The Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets, and for preventing and detecting frauds as well as other irregularities, which are reviewed, evaluated and updated on an ongoing basis. We have evaluated the internal controls and procedures of the Group for the financial period under review and confirm, based on our evaluations that there were no significant

deficiencies and material weaknesses in the design or operation of internal controls and frauds that involves management or other employees. The Internal Auditors conduct periodic audits to provide reasonable assurance that the established policies and procedures of the Group were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal control and accounting.

## REPORT OF INDEPENDENT AUDITORS

The Financial Statements were audited by Messrs KPMG, Chartered Accountants, the Independent Auditors and their report is given in pages 52 to 54

## AUDIT COMMITTEE

The Audit Committee pre-approved the audit and non-audit services provided by Messrs KPMG. The Audit Committee meets periodically with the Internal Auditors and the Independent Auditors to review the manner in which these Auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the Independent Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance. The Audit Committee Report is given in pages 36 to 38

## CONCLUSION

We confirm that to the best of our knowledge:

- ◇ The Group has complied with all applicable laws, regulations and guidelines and there is no material litigation against the Group other than those disclosed in Note 28 of the Financial Statements.
- ◇ The system of internal control is operating effectively.
- ◇ The Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs and have applied the Going Concern basis in preparing these Financial Statements.
- ◇ All taxes, duties, levies and all statutory payments by the Group and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Group as at 31<sup>st</sup> March 2022 have been paid, or where relevant provision made.

For and on behalf of the Board of Directors of

### ACME Printing & Packaging PLC

(Sgd.)

**Mr. S. A. S. Asiri**  
Finance Manager

(Sgd.)

**Mr. A. Hettiarachchy**  
Executive Chairman  
30<sup>th</sup> August 2022

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

This Statement of Directors' responsibilities is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and to the Auditors in relation to the Financial Statements contained in this Annual Report.

The Board accepts responsibility for the preparation and fair presentation of Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Groups/Company s' Financial Statements, presented in this report for the year ended 31<sup>st</sup> March 2022 & conform to the requirements of Sri Lanka Accounting Standards (SLFRS/LKAS) and the Companies Act No 7 of 2007. They also confirm that the Financial Statements presented by them give a true and fair view of Company activities as at that date. The financial information is consistent with that in the Financial Statements.

The Directors are of the view that adequate funds and other resources are available within the Group / Company for the Group/ Company to continue in operation for the foreseeable future.

The Board of Directors has initiated an efficient and concise system of Internal Controls. It also includes Internal Checks and Internal Audits, along with the financial and other controls required to carry on the business smoothly, whilst safeguarding assets in a secure, practical, accurate and reliable manner.

The Directors have also taken all reasonable steps to ensure that the Company and its subsidiaries maintain adequate and accurate accounting books of

records which reflects the transparency of transactions and provide an accurate disclosures of the Group's/Company's financial position.

The Directors have provided the auditors Messrs KPMG, Chartered Accountants with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The auditors have examined the financial statements together with all financial records and related data and express their opinion.

## COMPLIANCE REPORT

The directors confirm that, to the best of their knowledge all taxes and levies payable by the Group/Company and all contributions, levies and taxes payable on behalf of the employees of the Group/Company, and all other known statutory obligations as at the reporting date have been paid or provided for in the Financial Statements.

## APPROVAL OF FINANCIAL STATEMENTS

The Directors report and the Financial Statements of the Company and the Group were approved by the Board of Directors on 30<sup>th</sup> August 2022.

For and on behalf of the Board of Directors of

## ACME PRINTING AND PACKAGING PLC

(Sgd.)  
**A. Hettiarachchy**  
Executive Chairman

(Sgd.)  
**G.K.B. Dasanayaka**  
Director

30<sup>th</sup> August 2022

# FINANCIAL REPORTS

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## FINANCIAL CALENDAR 2021/22

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|   |                                   |
|---|-----------------------------------|
| Interim Report- 1 <sup>st</sup> Quarter | August 11 <sup>th</sup> , 2021    |
| Interim Report- 2 <sup>nd</sup> Quarter | November 11 <sup>th</sup> , 2021  |
| Interim Report- 3 <sup>rd</sup> Quarter | February 3 <sup>rd</sup> , 2022   |
| Interim Report- 4 <sup>th</sup> Quarter | May 29 <sup>th</sup> , 2022       |
| Annual Report                           | August 30 <sup>th</sup> , 2022    |
| 73 <sup>rd</sup> Annual General Meeting | September 26 <sup>th</sup> , 2022 |

# INDEPENDENT AUDITORS' REPORT



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

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## TO THE SHAREHOLDERS OF ACME PRINTING AND PACKAGING PLC

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of ACME Printing and Packaging PLC (the "Company") and the consolidated financial statements of the Company and its subsidiary (the "Group"), which comprise the statement of financial position as at 31<sup>st</sup> March 2022, 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 55 to 94.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31<sup>st</sup> March 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### 01. Management Assessment of the Group's/ the Company ability to continue as Going Concern

| Risk Description  | Our response  |
|---|---|
| <p>Refer to note 2.7 (accounting policy) and note 34 to these Financial Statements.</p> <p>During the financial year ended 31<sup>st</sup> March 2022, the Group has incurred a net loss of Rs. 261 Mn (the Company: Loss of Rs. 139 Mn) and as at 31<sup>st</sup> March 2022 the Group had a net current liability position of Rs.839 Mn (the Company: net current liability of Rs. 509 Mn) and accumulated losses of Rs. 1,104 Mn (the Company: Accumulated losses of Rs.753 Mn).</p> <p>However, the financial statements have been prepared on a going concern basis. In adopting the going concern basis for the preparation of financial statements, the directors have reviewed the cash flow projections for the next 12 months prepared by the management. We identified the assessment of going concern as a key audit matter because a significant degree of management judgement is involved in making this assessment and in forecasting the future cash flows and profits of the Group/ the Company which could have significant impact on the assessment of going concern.</p> | <p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>Obtaining and understanding of management's going concern assessment.</li> <li>Assessing and challenging the key assumptions used by management in the cash flow forecast and profits by comparing the key assumptions used by the management with our understanding of the business.</li> <li>Obtaining representations from the board regarding their plans for future actions and feasibility of these plans.</li> <li>Evaluation of the subsequent financial performance and the operational developments of the Group/ the Company.</li> <li>Assessing the availability of banking and other financing facilities by inspecting contracts or agreements signed with financial institutions both before and after the reporting date.</li> <li>Assessing the adequacy of disclosures in the financial statements.</li> </ul> |

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

**P.Y.S. Perera FCA**  
**W.J.C. Perera FCA**  
**W.K.D.C Abeyrathne FCA**  
**R.M.D.B. Rajapakse FCA**  
**M.N.M. Shameel FCA**  
**Ms. P.M.K.Sumanasekara FCA**  
**C.P. Jayatilake FCA**  
**Ms. S. Joseph FCA**  
**S.T.D.L. Perera FCA**  
**Ms. B.K.D.T.N. Rodrigo FCA**  
**Ms. C.T.K.N. Perera ACA**  
**T.J.S. Rajakarier FCA**  
**Ms. S.M.B. Jayasekara FCA**  
**G.A.U. Karunaratne FCA**  
**R.H. Rajan FCA**  
**A.M.R.P. Alahakoon ACA**  
**Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MIRCS**

## INDEPENDENT AUDITORS' REPORT (CONT.)



### 02. Impairment assessment on Investment in Subsidiary and Amounts due from Subsidiary.

| Risk Description  | Our response  |
|---|---|
| <p>Refer to note 3.9 (accounting policy) and note 13 and 17 to these Financial Statements.</p> <p>The Company has fully impaired its investment in the subsidiary during the year and reported an amounts due from the subsidiary amounting to Rs. 198 Mn as at 31<sup>st</sup> March 2022. Such balances are carried at cost and tested for any impairment if there is any indication for impairment at each reporting period. Accordingly, the impairment assessment as of 31<sup>st</sup> March 2022 was performed and an impairment amounting to Rs. 35.5 Mn was recorded for investment in the subsidiary and an impairment amounting to Rs. 27.5 Mn was recorded for amounts due from the subsidiary in the Company's financial statements during the year.</p> <p>The Management assessed the impairment of the carrying value of the investment in subsidiary and amounts due from the subsidiary by determining the recoverable amounts. As the recoverable amount calculation involves significant judgement and estimates that are affected by future market and economic conditions, changes to the assumptions could lead to changes in the estimated recoverable amount.</p> <p>Due to the significance of the investment in subsidiary and amounts due from the subsidiary and the subjectivity of the judgements, we consider impairment assessment of investment in subsidiary and amounts due from subsidiary to be a Key Audit Matter.</p> | <p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of management's impairment assessment process.</li> <li>• Reviewing the impairment assessment conducted by the management and discussed with management regarding the reasonableness of the basis and assumptions used.</li> <li>• Assessing and challenging the key assumptions, inputs and judgements used in the computations of recoverable amount in arriving at required impairment.</li> <li>• Assessing the adequacy of the disclosures in the financial statements.</li> </ul> |

### 03. Revaluation of Land, Buildings and Machineries.

| Risk Description   | Our response   |
|--|--|
| <p>Refer to note 3.5 (accounting policy) and note 11 to these Financial Statements.</p> <p>As at the reporting date, Land, Buildings and Machineries of the Group carried at fair value amounting to Rs. 954 Mn (the Company: Rs. 665 Mn).</p> <p>The management's assessment of fair value of the freehold land, buildings and machineries is based on valuations performed by a qualified independent property valuer in accordance with recognised industry standards.</p> <p>We identified valuation of freehold land, buildings and machineries as a key audit matter because the determination of the fair values involves significant judgment and estimation, particularly determining the underlying assumptions and the valuations are sensitive to the key assumptions applied.</p> | <p>Our audit procedures included;</p> <ul style="list-style-type: none"> <li>• Assessing the objectivity, independence, competence and qualifications of the external valuer.</li> <li>• With the assistance of our own internal property valuation expert assessing the key assumptions applied and conclusions made in deriving the fair value of the properties and comparing the fair value of properties with evidence of current market values. In addition assessing the valuation methodologies with reference to recognized industry standards.</li> <li>• Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.</li> </ul> |

### 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. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

## INDEPENDENT AUDITORS' REPORT (CONT.)



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

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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/ Company'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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 3272.

  
Chartered Accountants  
Colombo, Sri Lanka  
30<sup>th</sup> August 2022

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

|  | Notes | GROUP            |                  | COMPANY          |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2022<br>Rs'000   | 2021<br>Rs'000   | 2022<br>Rs'000   | 2021<br>Rs'000   |
| For the year ended 31 <sup>st</sup> March  |       |                  |                  |                  |                  |
| Revenue  | 5     | 948,083          | 1,408,301        | 779,512          | 1,127,700        |
| Cost of Sales  |       | (981,248)        | (1,270,560)      | (761,065)        | (1,051,185)      |
| <b>Gross (Loss) / Profit</b>   |       | <b>(33,165)</b>  | <b>137,741</b>   | <b>18,447</b>    | <b>76,515</b>    |
| Other (Expense) / Income   | 6     | (608)            | 15,268           | 26,092           | 28,178           |
| Administrative Expenses  |       | (85,737)         | (83,844)         | (52,771)         | (46,304)         |
| Distribution Expenses  |       | (21,357)         | (33,192)         | (17,061)         | (26,441)         |
| Impairment Reversal / (Provision) of Trade Receivables & Amount due from Related Parties |       | 322              | (1,706)          | (26,976)         | (2,004)          |
| Impairment of Investment in Subsidiary   | 13    | -                | -                | (35,544)         | (61,125)         |
| <b>(Loss) / Profit from Operations</b>   | 7     | <b>(140,545)</b> | <b>34,267</b>    | <b>(87,813)</b>  | <b>(31,181)</b>  |
| Finance Expense  |       | (146,115)        | (137,004)        | (66,047)         | (68,895)         |
| Finance Income   |       | 7,072            | 2,186            | 6,910            | 2,186            |
| Net Finance Expense  | 8     | (139,043)        | (134,818)        | (59,137)         | (66,709)         |
| <b>Loss before Taxation</b>  |       | <b>(279,588)</b> | <b>(100,551)</b> | <b>(146,950)</b> | <b>(97,890)</b>  |
| Income Tax Reversal / (Expense)  | 9     | 18,616           | (18,470)         | 7,825            | (7,484)          |
| <b>Loss for the Year</b>   |       | <b>(260,972)</b> | <b>(119,021)</b> | <b>(139,125)</b> | <b>(105,374)</b> |
| <b>Items that might not be reclassified to the P&amp;L</b>                               |       |                  |                  |                  |                  |
| Surplus on revaluation   |       | 140,353          | 74,781           | 61,229           | 66,392           |
| Actuarial Gain / (Loss) on Defined Benefit Plans   |       | 2,477            | (2,922)          | 1,895            | (1,902)          |
| Related Taxes  |       | (25,709)         | (12,936)         | (11,362)         | (11,608)         |
| Related Taxes due to Tax Rate change   |       | -                | 59,150           | -                | 51,341           |
| <b>Total Other Comprehensive Income for the Year</b>                                     |       | <b>117,121</b>   | <b>118,073</b>   | <b>51,762</b>    | <b>104,223</b>   |
| <b>Total Comprehensive Income for the Year</b>   |       | <b>(143,851)</b> | <b>(948)</b>     | <b>(87,363)</b>  | <b>(1,151)</b>   |
| <b>Loss attributable to</b>  |       |                  |                  |                  |                  |
| Equity Holders of the Company  |       | (260,972)        | (119,021)        | (139,125)        | (105,374)        |
| Non Controlling Interest   |       | -                | -                | -                | -                |
| <b>Loss for the Year</b>   |       | <b>(260,972)</b> | <b>(119,021)</b> | <b>(139,125)</b> | <b>(105,374)</b> |
| <b>Total Comprehensive Income Attributable to</b>  |       |                  |                  |                  |                  |
| Equity Holders of the Company  |       | (143,851)        | (948)            | (87,363)         | (1,151)          |
| Non Controlling Interest   |       | -                | -                | -                | -                |
| <b>Total Comprehensive Income for the year</b>   |       | <b>(143,851)</b> | <b>(948)</b>     | <b>(87,363)</b>  | <b>(1,151)</b>   |
| <b>Basic Loss per Share (Rs.)</b>  | 10    | <b>(6.34)</b>    | <b>(2.89)</b>    | <b>(3.38)</b>    | <b>(2.56)</b>    |

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 59 to 94 form an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

| as at 31 <sup>st</sup> March         | Notes | Group            |                  | Company          |                  |
|--------------------------------------|-------|------------------|------------------|------------------|------------------|
|                                      |       | 2022<br>Rs'000   | 2021<br>Rs'000   | 2022<br>Rs'000   | 2021<br>Rs'000   |
| <b>ASSETS</b>                        |       |                  |                  |                  |                  |
| <b>Non-Current Assets</b>            |       |                  |                  |                  |                  |
| Property, Plant and Equipment        | 11    | 1,002,508        | 892,866          | 672,522          | 639,748          |
| Right of Use Assets                  | 12    | 19,785           | 21,646           | -                | -                |
| Investment in Subsidiary             | 13    | -                | -                | -                | 35,544           |
| Financial Investments - FVTOCI       | 14    | 25               | 25               | 25               | 25               |
| Amounts Due from Related Parties     | 17    | -                | -                | 197,886          | -                |
| Defined Benefit Plan Assets          | 25    | 10,107           | 9,551            | 10,107           | 9,551            |
| <b>Total Non-Current Assets</b>      |       | <b>1,032,425</b> | <b>924,088</b>   | <b>880,540</b>   | <b>684,868</b>   |
| <b>Current Assets</b>                |       |                  |                  |                  |                  |
| Inventories                          | 15    | 185,907          | 324,900          | 123,500          | 214,251          |
| Trade and Other Receivables          | 16    | 101,400          | 329,023          | 75,793           | 151,370          |
| Amounts Due from Related Parties     | 17    | -                | -                | -                | 97,991           |
| Cash and Cash Equivalents            | 18    | 36,051           | 28,348           | 32,018           | 19,931           |
| <b>Total Current Assets</b>          |       | <b>323,358</b>   | <b>682,271</b>   | <b>231,311</b>   | <b>483,543</b>   |
| <b>Total Assets</b>                  |       | <b>1,355,783</b> | <b>1,606,359</b> | <b>1,111,851</b> | <b>1,168,411</b> |
| <b>EQUITY &amp; LIABILITIES</b>      |       |                  |                  |                  |                  |
| <b>Equity</b>                        |       |                  |                  |                  |                  |
| Stated Capital                       | 19    | 592,813          | 592,813          | 592,813          | 592,813          |
| Revaluation Reserve                  | 20    | 645,705          | 530,616          | 509,729          | 459,521          |
| Accumulated Losses                   | 21    | (1,104,222)      | (845,281)        | (752,967)        | (615,396)        |
| <b>Total Equity</b>                  |       | <b>134,296</b>   | <b>278,148</b>   | <b>349,575</b>   | <b>436,938</b>   |
| <b>Non-Current Liabilities</b>       |       |                  |                  |                  |                  |
| Interest Bearing Borrowings          | 22    | 25,540           | 53,548           | 3,290            | 7,298            |
| Lease Creditors                      | 23    | 10,382           | 13,921           | -                | -                |
| Deferred Tax Liability               | 24    | -                | -                | -                | -                |
| Employee Benefits                    | 25    | 22,932           | 28,310           | 18,264           | 23,049           |
| <b>Total Non-Current Liabilities</b> |       | <b>58,854</b>    | <b>95,779</b>    | <b>21,554</b>    | <b>30,347</b>    |
| <b>Current Liabilities</b>           |       |                  |                  |                  |                  |
| Trade and Other Payables             | 26    | 149,654          | 215,258          | 63,081           | 99,565           |
| Amounts Due to Related Parties       | 27    | 3,150            | 1,389            | 3,150            | 1,389            |
| Interest Bearing Borrowings          | 22    | 941,105          | 959,300          | 643,444          | 580,117          |
| Lease Creditors                      | 23    | 3,318            | 3,285            | -                | -                |
| Bank Overdraft                       | 18    | 65,406           | 53,200           | 31,047           | 20,055           |
| <b>Total Current Liabilities</b>     |       | <b>1,162,633</b> | <b>1,232,432</b> | <b>740,722</b>   | <b>701,126</b>   |
| <b>Total Liabilities</b>             |       | <b>1,221,487</b> | <b>1,328,211</b> | <b>762,276</b>   | <b>731,473</b>   |
| <b>Total Equity and Liabilities</b>  |       | <b>1,355,783</b> | <b>1,606,359</b> | <b>1,111,851</b> | <b>1,168,411</b> |

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 59 to 94 form an integral part of these Financial Statements.

These financial statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.

(Sgd.)

**S. A. S. Asiri**

Finance Manager

The Board of Directors is responsible for the preparation and presentation of the financial statements.

Signed for and on behalf of the Board:

(Sgd.)

**A. Hettiarachchy**

Executive Chairman

30<sup>th</sup> August 2022, Colombo.

(Sgd.)

**P. S. Goonawardene**

Director

## STATEMENT OF CHANGES IN EQUITY

| For the year ended 31 <sup>st</sup> March 2022 | Group                    |                               |                              |                 |
|--|--------------------------|-------------------------------|------------------------------|-----------------|
|  | Stated Capital<br>Rs'000 | Revaluation Reserve<br>Rs'000 | Accumulated Losses<br>Rs'000 | Total<br>Rs'000 |
| Balance as at 1 <sup>st</sup> April 2020       | 592,813                  | 408,288                       | (722,005)                    | 279,096         |
| <b>Comprehensive Income for the Year</b>       |                          |                               |                              |                 |
| Loss for the Year                              | -                        | -                             | (119,021)                    | (119,021)       |
| Other Comprehensive Income for the Year        | -                        | 122,328                       | (4,255)                      | 118,073         |
| <b>Total Comprehensive Income for the Year</b> | -                        | 122,328                       | (123,276)                    | (948)           |
| Balance as at 31 <sup>st</sup> March 2021      | 592,813                  | 530,616                       | (845,281)                    | 278,148         |
| Balance as at 1 <sup>st</sup> April 2021       | 592,813                  | 530,616                       | (845,281)                    | 278,148         |
| <b>Comprehensive Income for the Year</b>       |                          |                               |                              |                 |
| Loss for the Year                              | -                        | -                             | (260,972)                    | (260,972)       |
| Other Comprehensive Income for the Year        | -                        | 115,089                       | 2,031                        | 117,120         |
| <b>Total Comprehensive Income for the Year</b> | -                        | 115,089                       | (258,941)                    | (143,852)       |
| Balance as at 31 <sup>st</sup> March 2022      | <b>592,813</b>           | <b>645,705</b>                | <b>(1,104,222)</b>           | <b>134,296</b>  |

| For the year ended 31 <sup>st</sup> March 2022 | Company                  |                               |                              |                 |
|--|--------------------------|-------------------------------|------------------------------|-----------------|
|  | Stated Capital<br>Rs'000 | Revaluation Reserve<br>Rs'000 | Accumulated Losses<br>Rs'000 | Total<br>Rs'000 |
| Balance as at 1 <sup>st</sup> April 2020       | 592,813                  | 351,881                       | (506,605)                    | 438,089         |
| <b>Comprehensive Income for the Year</b>       |                          |                               |                              |                 |
| Loss for the Year                              | -                        | -                             | (105,374)                    | (105,374)       |
| Other Comprehensive Income for the Year        | -                        | 107,640                       | (3,417)                      | 104,223         |
| <b>Total Comprehensive Income for the Year</b> | -                        | 107,640                       | (108,791)                    | (1,151)         |
| Balance as at 31 <sup>st</sup> March 2021      | 592,813                  | 459,521                       | (615,396)                    | 436,938         |
| Balance as at 1 <sup>st</sup> April 2021       | 592,813                  | 459,521                       | (615,396)                    | 436,938         |
| <b>Comprehensive Income for the Year</b>       |                          |                               |                              |                 |
| Loss for the Year                              | -                        | -                             | (139,125)                    | (139,125)       |
| Other Comprehensive Income for the Year        | -                        | 50,208                        | 1,554                        | 51,762          |
| <b>Total Comprehensive Income for the Year</b> | -                        | 50,208                        | (137,571)                    | (87,363)        |
| Balance as at 31 <sup>st</sup> March 2022      | <b>592,813</b>           | <b>509,729</b>                | <b>(752,967)</b>             | <b>349,575</b>  |

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 59 to 94 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

| For the year ended 31 <sup>st</sup> March                                | Notes     | Group           |                 | Company          |                 |
|--|-----------|-----------------|-----------------|------------------|-----------------|
|  |           | 2022<br>Rs'000  | 2021<br>Rs'000  | 2022<br>Rs'000   | 2021<br>Rs'000  |
| <b>Cash flows from operating activities</b>                              |           |                 |                 |                  |                 |
| Loss before taxation   |           | (279,588)       | (100,551)       | (146,950)        | (97,890)        |
| <b>Adjustment for :</b>  |           |                 |                 |                  |                 |
| Depreciation on Property, Plant & Equipment                              | 11        | 64,291          | 78,963          | 39,913           | 44,651          |
| Amortization of Right to Use Assets                                      | 12        | 1,861           | 1,010           | -                | -               |
| Provision for Defined Benefit Obligations net of interest on plan assets | 25.7      | 2,773           | 3,984           | 1,761            | 2,892           |
| Provision for Slow Moving Inventories                                    | 15.1      | 6,187           | 2,468           | 2,232            | 2,999           |
| Inventory written off during the year                                    | 7         | 12,858          | -               | -                | -               |
| Interest Income  | 8         | (312)           | (252)           | (150)            | (252)           |
| (Reversal of Provision) / Provision for Trade Receivables                | 16.1      | (322)           | 1,706           | (536)            | 2,004           |
| Provision for impairment of amounts receivable from related parties      | 17        | -               | -               | 27,512           | -               |
| Impairment of Investment in Subsidiary                                   | 13        | -               | -               | 35,544           | 61,125          |
| Interest Expense   | 8         | 129,175         | 131,389         | 63,327           | 65,375          |
| <b>Operating (Loss) / Profit before working capital changes</b>          |           | <b>(63,117)</b> | <b>118,717</b>  | <b>22,653</b>    | <b>80,904</b>   |
| Decrease / (Increase) in Inventories                                     | 15        | 119,948         | (75,587)        | 88,519           | (63,609)        |
| Decrease in Trade & other Receivables                                    | 16        | 220,849         | 3,993           | 72,575           | 6,130           |
| Increase in Amount Due from Related Parties                              | 17        | -               | -               | (97,991)         | (10,464)        |
| Increase in Amount Due to Related Parties                                | 27        | 1,761           | -               | 1,761            | -               |
| (Decrease) / Increase in Trade & Other Payables                          | 26        | (65,602)        | 17,724          | (36,483)         | 1,984           |
| <b>Cash generated from Operations</b>                                    |           | <b>213,879</b>  | <b>64,847</b>   | <b>247,016</b>   | <b>14,945</b>   |
| Interest Paid  |           | (129,547)       | (123,105)       | (69,774)         | (57,770)        |
| Employee Benefit paid  | 25.6      | (6,230)         | (1,466)         | (5,207)          | (1,175)         |
| <b>Net Cash Flow Generated from / (used in) Operating Activities</b>     |           | <b>78,102</b>   | <b>(59,724)</b> | <b>(53,363)</b>  | <b>(44,000)</b> |
| <b>Cash Flows from Investing Activities</b>                              |           |                 |                 |                  |                 |
| Purchase of Property, Plant & Equipment                                  | 11        | (33,580)        | (34,411)        | (11,458)         | (10,231)        |
| Purchase of Right of Use Assets  | 12        | -               | (15,945)        | -                | -               |
| Interest Received  | 8         | 312             | 252             | 150              | 252             |
| Increase in non current amounts due from related parties                 | 17        | -               | -               | (225,398)        | -               |
| <b>Net Cash Flow used in Investing Activities</b>                        |           | <b>(33,268)</b> | <b>(50,104)</b> | <b>(236,706)</b> | <b>(9,979)</b>  |
| <b>Cash flows from financing activities</b>                              |           |                 |                 |                  |                 |
| Repayment of Long Term Borrowing   | 22.2      | (56,826)        | (47,177)        | (32,910)         | (39,767)        |
| Repayment of Lease   | 23        | (5,726)         | (2,486)         | -                | -               |
| Lease Obtained   | 23        | -               | 12,200          | -                | -               |
| Short Term Borrowings Obtained   |           | 1,377,785       | 1,616,569       | 788,148          | 723,626         |
| Repayment of Short Term Borrowings                                       |           | (1,364,570)     | (1,478,779)     | (689,472)        | (637,061)       |
| <b>Net Cash Flow (used in) / generated from Financing Activities</b>     |           | <b>(49,337)</b> | <b>100,327</b>  | <b>65,766</b>    | <b>46,798</b>   |
| Net (Decrease) / Increase in Cash & Cash Equivalents                     |           | (4,503)         | (9,501)         | 1,095            | (7,181)         |
| Cash & cash equivalents at the beginning of the year                     | 18        | (24,852)        | (15,351)        | (124)            | 7,057           |
| <b>Cash &amp; cash equivalents at the end of the year</b>                | <b>18</b> | <b>(29,355)</b> | <b>(24,852)</b> | <b>971</b>       | <b>(124)</b>    |

The Notes to the Financial Statements on pages 59 to 94 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. REPORTING ENTITY

### 1.1. Domicile and Legal Form

ACME Printing & Packaging PLC ("the Company") is a public quoted company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Registered office of the Company is located at No 98, Sri Sangaraja Mawatha, Colombo-10. The operations are conducted at Piliyandala.

The Consolidated Financial Statements of the Group as at and the year ended 31<sup>st</sup> March 2022 comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group entities"). The Company has a fully owned subsidiary, ACME Packaging Solutions (Pvt) Ltd.

#### Ultimate Parent

The Company's parent undertaking and controlling party is Lankem Ceylon PLC

### 1.2. Principal Activities and Nature of Operations

The principle activities of the Company and the subsidiary (ACME Packaging Solutions (Pvt) Ltd.) are manufacturing of flexible packaging materials.

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

### 1.3. Number of Employees

The numbers of employees of the Group and Company as at 31<sup>st</sup> March 2022 are as follow:

|         |                    |
|---------|--------------------|
| Group   | 145 ( 2021 - 173 ) |
| Company | 79 ( 2021 - 92 )   |

### 1.4. Date of Authorisation for Issue

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company for the year ended 31<sup>st</sup> March 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 30<sup>th</sup> August 2022.

## 2. BASIS OF PREPARATION

### 2.1. Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement

of Changes in Equity and Cash Flow Statement, together with the notes, (the "Financial Statements") of the Company and Group as at 31<sup>st</sup> March 2022 and for the year then ended have been prepared in accordance with new Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No 07 of 2007. This is the first set of annual financial statements in which SLFRS 16 has been applied. The related changes to significant accounting policies are described in note 2.8.

### 2.2. Basis of Measurement

The Consolidated Financial Statements have been prepared on the accrual basis, the historical cost basis and applied consistently which no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position.

- ◊ Equity Instruments at FVTOCI are measured at fair value;
- ◊ Land, building and machinery are measured at revalued amounts; and.
- ◊ Liability for employee benefits is recognized as the present value of the defined benefit obligation less the net total of fair value of the plan assets.

These Financial Statements have been prepared on the basis that the Company / Group would continue as a going concern for the foreseeable future.

### 2.3. Comparative Figures

Where necessary, comparative figures have been rearranged to conform with the current year's presentation.

### 2.4. Functional and Presentation Currency

All values presented in the Financial Statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated. All financial information presented in Sri Lanka Rupees has been given to the nearest thousand, unless stated otherwise.

### 2.5. Use of Estimates and Judgments

The preparation of these Financial Statements in conformity with SLAS's 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.

## Notes to the Financial Statements

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes:

- ◊ Valuation of Land, Building and plant & Machinery (Note 11)
- ◊ ROU Assets and ROU Liability (Notes 12 and 23)
- ◊ Provision for Inventories (Note 15.1)
- ◊ Impairment of assets (Note 13)
- ◊ Current taxation (Note 9)
- ◊ Deferred taxation and utilisation of tax losses (Note 24)
- ◊ Measurement of Employee benefits (Note 25)
- ◊ Provisions and contingencies (Notes 15.1, 16.1 and 28)
- ◊ Financial Instrument (Note 14)

### 2.6. Measurement of Fair Value

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

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

Further, the external valuers are involved for valuation of significant assets, such as land, building and plant & Machinery. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or 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. prices) or indirectly (i.e. derived from prices)
- ◊ Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or 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 input level 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.

### 2.7. Going concern

These financial statements have been prepared on the basis that the Company and the Group would continue as a going concern for foreseeable future.

In light of ongoing economic crisis of the country and the liquidity issue in the short run due to the asset and liability mismatch, the Group has assessed its going concern and a detailed disclosure of its assessment are provided in the financial statements. In preparing the financial statements for the year ended 31<sup>st</sup> March 2022, the management has assessed the possible effects of the ongoing economic crisis of the country on the businesses of the Group to determine their ability to continue as a going concern. Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, financial commitments and accessibility to funds, the Group would continue as a going concern.

Consequent to giving due consideration to the presentations by management, the Directors are satisfied that the Group have adequate resources to continue as a going concern for a foreseeable future. The Group has forecasted positive working capital based on its future strategic operational plans and cash flow positions based on the arrangements with the lenders for the next twelve months. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis

## Notes to the Financial Statements

### 2.8. Changes in Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been no significant changes to the accounting policies.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Basis of Consolidation

#### Subsidiaries

Subsidiaries are those enterprises controlled by the Company. The Company 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 subsidiary is included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases. Accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

The Company and its subsidiary in the Group have a common financial year, which ends on 31<sup>st</sup> March.

#### Loss of Control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's Accounting Policy for financial instruments depending on the level of influence retained.

#### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from the intra-group transactions are eliminated in preparing the Consolidated Financial Statements.

#### Accounting for investment in subsidiaries

When separated financial statements are prepared, investments in subsidiaries are accounted for using the cost method. Investments in subsidiaries are stated in the Company's Statement of Financial Position at cost less accumulated impairment losses, if any.

### 3.2. Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the

transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of fair value through other comprehensive income - equity instruments, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 3.3. Income Tax Expense

Income tax expenses comprise of current & deferred tax expenses recognised in the Income Statement.

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 Tax

The Group's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and amendments thereto.

#### (b) Deferred Tax

Deferred tax is provided on the balance sheet liability method for all temporary differences as at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts of assets and liabilities for financial reporting purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purpose of the assets on which tax depreciation has been claimed and the net book value of such asset, offset by the provision for employee benefit which is deductible for tax purpose only on payment.

Deferred tax assets, including those related to temporary tax effect of income tax losses and credits available to be carried forward are recognised only to the extent that it is

## Notes to the Financial Statements

probable that future taxable profit will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### 3.4. Events occurring after the Reporting date

The materiality of the events occurring after the reporting date have been considered and appropriate adjustments to or disclosure have been made in the financial statements where necessary.

### Assets and Bases of Valuation

Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date whichever is shorter. Assets other than the current assets are those, which the Company intends to hold beyond a period of one year from the Balance Sheet date.

### 3.5. Property, Plant and Equipment

#### a. Cost and Valuation

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling, removing and restoring the site on which they are located. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

#### Cost Model

The Group applies the Cost Model to all Property, Plant & Equipment except for freehold land, buildings and machinery, and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

#### Revaluation Model

The Group applies the Revaluation Model for the entire class of Freehold Land, Buildings and machinery for measurement after initial recognition. Such assets are

carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and machinery, and any accumulated impairment losses charged subsequent to the date of valuation. A revaluation is carried out when there is substantial difference between the fair value and carrying amount of the property and is undertaken by professionally qualified valuers. Group review its assets once in three years.

On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and presented in Revaluation Reserve in equity or used to reverse a previous loss on revaluation of the same asset, which was charged to the Profit or Loss. In this circumstance, the increase is recognised as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognised as an expense in the Profit or Loss or charged in Other Comprehensive Income and presented in Revaluation Reserve in equity only to the extent of any credit balance existing in the Revaluation Reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or losses arising on derecognition of the asset is included in the Profit or Loss for the year the asset is derecognised.

#### b. Subsequent cost

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the Profit or Loss as an expense as incurred.

#### c. Depreciation

Depreciation is charged to the Profit or Loss on a straight-line basis over the estimated useful lives of items of Property, Plant and Equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

## Notes to the Financial Statements

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

|                                |  |
|--------------------------------|--|
| Buildings                      | 43-57 year in 2021/22 36 years in 2020/21 or remaining lease period whichever is lower |
| Plant & Machinery              | 5 - 20 years   |
| Furniture Fittings & Computers | 5 - 10 years   |
| Motor Vehicle                  | 5- 10 years  |
| Computers                      | 10 years   |
| Cylinders                      | Number of units produced   |

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

### d. Impairment of Property, Plant and Equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the Profit or Loss unless it reverses a previous revaluation surplus for the same asset.

## 3.6. Leased Assets

### a. Definition of Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

### b. As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

## Notes to the Financial Statements

It is re measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use assets and lease liabilities in the statement of financial position.

### c. Short term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### d. As a Lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income over the lease term as part of 'other revenue'. Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SLFRS16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

## 3.7. Inventories

Inventories are valued at lower of cost or net realizable value, after making due allowance for obsolete and slow-moving items. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realisation and /or cost of conversion from their existing state to saleable condition.

The cost of each category of inventories is determined as follow:

- ◇ Finished goods and work in progress as factory cost, which includes all direct cost and production overheads at normal level of activity.
- ◇ Raw material, packing material and machinery spares at weighted average cost basis.

The Net Realizable Value (NRV) of inventories is determined through comparison of cost with local and international re sale /replacement values, historic data and use of management assessments and judgment.

The following factors are considered by the management in determining NRV:

- ◇ Raw Material - Determination of the replacement cost of similar raw material;
- ◇ Work in Progress - The process losses and subsequent realisation.
- ◇ Finished Goods -The market patterns (based on actual events taken place), the cost of disposing efforts (selling cost etc). and subsequent prices.
- ◇ Machinery spare parts – The inventory movements, replacement cost and future use.

## Notes to the Financial Statements

### 3.8 Non-derivative financial assets

#### Fair Value of Assets and Liabilities

#### Accounting Policy

#### Financial assets

##### Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition.

##### Classification and measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; 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 outstanding.

The Group financial assets classified and measured at amortised cost are limited to its non-current financial Assets - Investments in debt instruments, other receivables, short-term investments and cash and cash equivalent.

##### 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:

- ◇ how the performance of the portfolio is evaluated and reported to the Company's management;
- ◇ the frequency, volume and timing of sales of financial assets in prior periods, the reasons for

such sales and expectations about future sales activity.

##### 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 as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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.

##### Equity Securities measured at FVOCI

The Group investment in equity securities are classified as fair value through other comprehensive income (FVOCI).

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.

##### Financial asset amortised cost

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

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

Group's/Company's financial assets classified and measured at amortised cost are limited to its trade and other receivables, deposits, amounts due from related parties and cash & cash equivalents.

#### 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.

## Notes to the Financial Statements

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.

The Group has got trade and other payables, Amounts due to related parties, other financial liabilities and interest-bearing borrowings as financial liabilities at amortised cost.

### Offsetting

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

## 3.9 Impairment of assets

### 3.9.1. Impairment of financial assets

The Group recognises loss allowances for ECLs on: financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Operation 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 operation's historical experience and informed credit assessment and including forward-looking information.

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

- ◇ the borrower is unlikely to pay its credit obligations to the Operation in full, without recourse by the Operation to actions such as realising security (if any is held); or
- ◇ the financial asset is more than 360 days past due for the residential segment.

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

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

### Measurement of ECLs

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

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

### Credit-impaired financial assets

At each reporting date, the operation assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset 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 360 days past due.
- ◇ it is probable that the contractual party will enter bankruptcy or other financial reorganisation; or

### 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.

## Notes to the Financial Statements

### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off based on historical experience of recoveries of similar assets and based on the assessment carried out by the Group. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### 3.9.2. Impairment of Non-financial assets

The carrying amounts of the Group's non-financial assets inventories and 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.

The recoverable amount of an asset or cash-generating unit 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.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

### Liabilities and Provisions

Liabilities classified as Current Liabilities on the Statement of financial position are those obligations payable on demand or within one year from the statement of financial position. Items classified as non-current liabilities are those

obligations, which expire beyond a period of one year from the Statement of financial position date.

All known liabilities have been accounted for in preparing the financial statements. Provision and liabilities are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.10 Employee benefits

#### 3.10.1. Defined contribution plan - Employees' Provident Fund & Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Group contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

#### 3.10.2. Defined Benefit Plans – Retirement Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 -Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The retiring gratuity liability prior to 1st April 1993 was unfunded. The liability subsequent to that date has been funded by way of an insurance policy. As required by the Sri Lanka Accounting Standards 19 - Employee Benefits (LKAS 19), the Group uses a qualified actuary to assess the gratuity liability and the related contribution based on Projected Unit Credit method as recommended by LKAS 19.

The amount recognised as a defined benefit liability shall be the net total of the present value of the defined benefit obligation at the end of the reporting period, plus any actuarial gains not recognised minus any past service cost not yet recognised and the fair value at the end of the reporting period of plan asset.

When the above computation results in an asset, the recognized asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan of the Company. An economic benefit is available to the Company if it is realisable during the life of the plan or on settlement of the plan liabilities.

## Notes to the Financial Statements

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

As required by the Sri Lanka Accounting Standards 19 - Employee Benefits (LKAS 19), the Subsidiary applies the actuarial valuation method to contribute for Retirement Gratuity based on Projected Unit Credit method as recommended by LKAS 19.

The liability is not externally funded.

### Actuarial gains and losses

The re-measurements of the net defined benefit liability which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

### 3.10.3. Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

## 3.11 Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

## 3.12 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the

obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## 3.13 Contingencies and Capital Commitments

All material Capital Commitments and Contingent Liabilities of the Group are disclosed in the respective notes to the Financial Statements.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## 3.14 Revenue

The Group revenue represents sales to customers outside the Group and sales within the Group which are intended for internal consumption.

The Group/Company recognises revenue from contracts with customers when control of the goods or services is transferred to the customer at an amount that reflects the consideration that the Group/Company is to be entitled in exchange for those goods or services. Determining the timing of the transfer of control of goods or services, at a point in time or over time, requires judgments taking into consideration the nature of goods or services that Group/Company offers.

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

### Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, usually on delivery of the goods. Sales are measured at the fair value of the consideration received or receivable excluding amounts collected on behalf of third parties (e.g. Sales taxes) and variable consideration (e.g. discounts and rebates).

### Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

### Other Income

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant and equipment and other non-current assets including investments have been accounted for in the assets.

## Notes to the Financial Statements

### 3.15 Expenditure recognition

#### Operating Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of comprehensive income in arriving at the profit or loss for the year.

#### Finance income and expense

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

#### Borrowing Cost

All borrowing costs are recognised as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of property, plant and equipment which are capitalized as a part of the cost of that asset during the period of construction or development.

### 3.16 Segment reporting

An operating segment is a component of the Group/Company 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/Company's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Company is a Public Limited Company in Sri Lanka. During the year ended 31<sup>st</sup> March 2022, the Group operated as a single business unit under one management team offering the flexible packaging materials to business customers.

There are no distinguishable components to be identified as segments for the Group/Company.

### 3.17 Related party disclosure

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

### 3.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### 3.19 Cash flow statement

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand and balances with banks.

We don't have short term deposits.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

## 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning after the current financial year. Accordingly, the Group has not applied the following new or amended standards in preparing these Financial Statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's Consolidated Financial Statements.

## Notes to the Financial Statements

- ◇ Annual Improvements to SLFRS Standards 2018-2020. The amendments are effective for annual reporting periods beginning on or after 01st January 2022.
- ◇ Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16). The amendment applies to annual reporting periods beginning on or after 01st January 2022.
- ◇ Reference to Conceptual Framework (Amendments to SLFRS 3). The amendment applies to annual reporting periods beginning on or after 01st January 2022.
- ◇ Classification of Liabilities as Current or Non-current (Amendments to LKAS 1). The amendment applies to annual reporting periods beginning on or after 01st January 2023.
- ◇ Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) - effective for annual periods beginning on or after 01st January 2023.
- ◇ Definition of accounting estimates (Amendments to LKAS 8) - effective for annual periods beginning on or after 01st January 2023.
- ◇ Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) - The amendments apply for annual reporting periods beginning on or after 01st January 2023..
- ◇ Onerous contracts - Cost of Fulfilling a Contract (Amendments to LKAS 37) - The amendments apply for annual reporting periods beginning on or after 01st January 2022.
- ◇ COVID-19 -Related concessions beyond 30 June 2021(Amendments to SLFRS 16).

## Notes to the Financial Statements

|  | Group            |                  | Company         |                  |
|--|------------------|------------------|-----------------|------------------|
|  | 2022<br>Rs'000   | 2021<br>Rs'000   | 2022<br>Rs'000  | 2021<br>Rs'000   |
| For the year ended 31 <sup>st</sup> March  |                  |                  |                 |                  |
| <b>5 Revenue</b>   |                  |                  |                 |                  |
| Set out below is the disaggregation of the Group's/Company's revenue from contracts with customers:      |                  |                  |                 |                  |
| <b>Geographical Market</b>   |                  |                  |                 |                  |
| Local Sales  | 1,401,517        | 2,294,265        | 471,014         | 590,777          |
| Inter Company Sales  | (456,127)        | (893,792)        | 305,805         | 529,095          |
|  | 945,390          | 1,400,473        | 776,819         | 1,119,872        |
| Export Sales   | 2,693            | 7,828            | 2,693           | 7,828            |
|  | 948,083          | 1,408,301        | 779,512         | 1,127,700        |
| <b>Timing of Revenue Recognition</b>   |                  |                  |                 |                  |
| Goods transferred at a point of time   | 948,083          | 1,408,301        | 779,512         | 1,127,700        |
| Goods transferred over time  | -                | -                | -               | -                |
| <b>Total Revenue with contracts of Customers</b>   | <b>948,083</b>   | <b>1,408,301</b> | <b>779,512</b>  | <b>1,127,700</b> |
| There is no separately identifiable segments for the above revenue streams.                              |                  |                  |                 |                  |
| <b>6 Other Income</b>  |                  |                  |                 |                  |
| Machinery rent Income  | -                | -                | 18,000          | 18,000           |
| Write back of unclaimed credits and credit balances of debtors   | 47               | 2,016            | 47              | 1,380            |
| Scrap sales income net of loss on sale of fixed assets   | 12,203           | 13,252           | 8,045           | 8,798            |
|  | 12,250           | 15,268           | 26,092          | 28,178           |
| <b>Other Expenditures</b>  |                  |                  |                 |                  |
| Inventory Write Off  | 12,858           | -                | -               | -                |
| <b>Net Other Income</b>  | <b>(608)</b>     | <b>15,268</b>    | <b>26,092</b>   | <b>28,178</b>    |
| <b>7 Profit from Operations</b>  |                  |                  |                 |                  |
| Profit / (Loss) from operating activities is stated after charging all expenses including the following, |                  |                  |                 |                  |
| Directors' Emoluments  | 2,250            | 6,900            | 2,250           | 6,900            |
| Audit fees and expenses - Audit & Audit Related Services   | 1,160            | 966              | 662             | 551              |
| - Non Audit Services   | 378              | 344              | 227             | 207              |
| Depreciation on Property, Plant and Equipment  | 64,291           | 78,963           | 39,913          | 44,651           |
| Amortisation of Right of use Assets  | 1,861            | 1,010            | -               | -                |
| Provision / (Reversal of Provision) for Trade Receivables  | (322)            | 1,706            | (536)           | 2,004            |
| Impairment provision for amounts due from related parties  | -                | -                | 27,512          | -                |
| Debtors Written off  | 205              | 574              | 205             | 574              |
| Provision for Slow Moving Inventories  | 6,187            | 2,468            | 2,232           | 2,999            |
| Inventories written-off  | 12,858           | -                | -               | -                |
| <b>Staff and related costs</b>   |                  |                  |                 |                  |
| - Salaries, wages & other related cost   | 109,858          | 125,574          | 60,640          | 70,002           |
| - Defined contribution plans - EPF & ETF   | 12,646           | 12,370           | 8,392           | 8,286            |
| - Defined benefit obligation / plan asset cost   | 2,773            | 3,984            | 1,761           | 2,892            |
|  | 125,277          | 141,928          | 70,793          | 81,180           |
| <b>8 Net Finance Expense</b>   |                  |                  |                 |                  |
| <b>Finance Income</b>  |                  |                  |                 |                  |
| Interest Income  | 312              | 252              | 150             | 252              |
| Gain on Translation of Foreign Currency  | 6,760            | 1,934            | 6,760           | 1,934            |
| <b>Total Finance Income</b>  | <b>7,072</b>     | <b>2,186</b>     | <b>6,910</b>    | <b>2,186</b>     |
| <b>Finance Expense</b>   |                  |                  |                 |                  |
| Bank Charges   | (2,756)          | (2,656)          | (2,263)         | (2,227)          |
| Interest on Long Term Borrowings   | (5,808)          | (16,892)         | (2,024)         | (9,945)          |
| Interest on Short Term Borrowings  | (121,147)        | (112,616)        | (61,303)        | (55,430)         |
| Interest on Finance Lease  | (2,220)          | (1,881)          | -               | -                |
| Loss on Translation of Foreign Currency  | (14,184)         | (2,959)          | (457)           | (1,293)          |
| <b>Total Finance Expense</b>   | <b>(146,115)</b> | <b>(137,004)</b> | <b>(66,047)</b> | <b>(68,895)</b>  |
| <b>Net Finance Expense</b>   | <b>(139,043)</b> | <b>(134,818)</b> | <b>(59,137)</b> | <b>(66,709)</b>  |
| <b>9 Income Tax Reversal / (Expense)</b>   |                  |                  |                 |                  |
| <b>Current Tax Expense</b>   |                  |                  |                 |                  |
| Tax on non business income for the year (Note 9.1)   | -                | -                | -               | -                |
| Write-off of irrecoverable economic service charge   | (7,093)          | (9,622)          | (3,537)         | (5,118)          |
|  | (7,093)          | (9,622)          | (3,537)         | (5,118)          |
| <b>Deferred Tax Expense</b>  |                  |                  |                 |                  |
| Origination of temporary differences (Note 24)   | 25,709           | (8,848)          | 11,362          | (2,366)          |
| <b>Total income Tax Expense / (reversal)</b>   | <b>18,616</b>    | <b>(18,470)</b>  | <b>7,825</b>    | <b>(7,484)</b>   |

## Notes to the Financial Statements

|   | Group            |                  | Company        |                |
|---|------------------|------------------|----------------|----------------|
|   | 2022<br>Rs'000   | 2021<br>Rs'000   | 2022<br>Rs'000 | 2021<br>Rs'000 |
| For the year ended 31 <sup>st</sup> March   |                  |                  |                |                |
| <b>9 Income Tax Reversal / (Expense) (cont.)</b>                                  |                  |                  |                |                |
| <b>9.1 Reconciliation of the Accounting profit and tax on current year</b>        |                  |                  |                |                |
| Loss before taxation  | (279,588)        | (100,551)        | (146,950)      | (97,890)       |
|   | (279,588)        | (100,551)        | (146,950)      | (97,890)       |
| Non-business income   | (312)            | (252)            | (150)          | (252)          |
| Aggregate disallowable expenses   | 121,005          | 136,890          | 121,464        | 118,302        |
| Aggregate allowable expenses  | (63,050)         | (49,878)         | (12,860)       | (6,399)        |
| Profit / (Loss) from business   | (221,945)        | (13,791)         | (38,496)       | 13,761         |
| Non-business income - Interest income   | 312              | 152              | 150            | 152            |
| Tax loss utilised   | (312)            | (13,913)         | (150)          | (13,913)       |
| Taxable income  | -                | -                | -              | -              |
| <b>Income tax @ - 18%</b>   | -                | -                | -              | -              |
| <b>9.2 Recognition of deferred tax expenses in the other comprehensive income</b> |                  |                  |                |                |
| Revaluation Surplus   | 25,263           | 13,461           | 11,021         | 11,951         |
| Actuarial Gain / (loss) on defined benefit obligations                            | 446              | (755)            | 341            | (343)          |
| Reversal of deferred tax liabilities due to rate change                           | -                | (58,921)         | -              | (51,113)       |
|   | 25,709           | (46,215)         | 11,362         | (39,504)       |
| <b>9.3 Tax loss analysis</b>  |                  |                  |                |                |
| Tax loss brought forward  | 1,004,312        | 1,000,948        | 685,585        | 697,257        |
| Adjustment to brought forward loss  | (3,190)          | (10,275)         | 4,989          | 2,241          |
|   | 1,001,122        | 990,673          | 690,574        | 699,498        |
| Tax loss for the year   | 221,945          | 27,552           | 38,496         | -              |
| Tax loss utilised   | (312)            | (13,913)         | (150)          | (13,913)       |
| <b>Tax loss carried forward</b>   | <b>1,222,756</b> | <b>1,004,312</b> | <b>728,920</b> | <b>685,585</b> |

9.4 The Company is liable to income tax at 18% on taxable profit with effect from 1<sup>st</sup> January 2020.

9.5 The Subsidiary Company is liable to income tax at 18% on taxable profit with effect from 1<sup>st</sup> January 2020.

### 10 Basic Earning / (Loss) per Share

#### 10.1 Basic Loss per Share

The basic loss per ordinary share is calculated by dividing the loss for the year attributable to ordinary shareholders by the number of ordinary shares, in issue.

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2022<br>Rs'000 | 2021<br>Rs'000 | 2022<br>Rs'000 | 2021<br>Rs'000 |
| Loss after taxation attributable to      |                |                |                |                |
| Ordinary shareholders                    | (260,972)      | (119,021)      | (139,125)      | (105,374)      |
| Weighted Average Number of shares ('000) | 41,162         | 41,162         | 41,162         | 41,162         |
| <b>Loss per share (Rs.)</b>              | <b>(6.34)</b>  | <b>(2.89)</b>  | <b>(3.38)</b>  | <b>(2.56)</b>  |

#### 10.2 Diluted Loss per Share

There was no potential dilution as at the year end. Therefore, diluted loss per share is the same as basic loss per share shown above.

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### II Property, Plant and Equipment

#### 11.1 Group

| Cost / Valuation                           | Land           | Buildings      | Plant & machinery | Furniture & fittings | Computer & accessories | Motor vehicles | Cylinders Stocks | As at 31.03.22   | As at 31.03.21   |
|--|----------------|----------------|-------------------|----------------------|------------------------|----------------|------------------|------------------|------------------|
|  | Rs'000         | Rs'000         | Rs'000            | Rs'000               | Rs'000                 | Rs'000         | Rs'000           | Rs'000           | Rs'000           |
| <b>FREE-HOLD</b>                           |                |                |                   |                      |                        |                |                  |                  |                  |
| Balance as at 01 <sup>st</sup> April       | 208,710        | 313,144        | 402,089           | 24,670               | 17,348                 | 2,448          | 268,259          | 1,236,668        | 1,151,477        |
| Additions during the year                  | -              | 616            | 11,845            | 100                  | 524                    | -              | 20,495           | 33,580           | 35,338           |
| Disposal during the year                   | -              | -              | -                 | -                    | -                      | -              | -                | -                | (927)            |
| Surplus on Revaluation                     | 23,190         | 68,689         | 48,474            | -                    | -                      | -              | -                | 140,353          | 74,781           |
| Accumulated Depreciation Transferred       | -              | (11,729)       | (111,854)         | -                    | -                      | -              | -                | (123,583)        | (24,001)         |
| <b>Balance as at 31<sup>st</sup> March</b> | <b>231,900</b> | <b>370,720</b> | <b>350,554</b>    | <b>24,770</b>        | <b>17,872</b>          | <b>2,448</b>   | <b>288,754</b>   | <b>1,287,018</b> | <b>1,236,668</b> |
| <b>Depreciation / Impairment</b>           |                |                |                   |                      |                        |                |                  |                  |                  |
| <b>FREE-HOLD</b>                           |                |                |                   |                      |                        |                |                  |                  |                  |
| Balance as at 01 <sup>st</sup> April       | -              | -              | 73,719            | 20,090               | 13,997                 | 1,765          | 234,231          | 343,802          | 288,840          |
| Charge for the year                        | -              | 11,729         | 38,135            | 1,132                | 40                     | 588            | 12,667           | 64,291           | 78,963           |
| Accumulated Depreciation Transferred       | -              | (11,729)       | (111,854)         | -                    | -                      | -              | -                | (123,583)        | (24,001)         |
| <b>Balance as at 31<sup>st</sup> March</b> | <b>-</b>       | <b>-</b>       | <b>-</b>          | <b>21,222</b>        | <b>14,037</b>          | <b>2,353</b>   | <b>246,898</b>   | <b>284,510</b>   | <b>343,802</b>   |
| <b>Carrying as at</b>                      |                |                |                   |                      |                        |                |                  |                  |                  |
| 31 <sup>st</sup> March 2022                | 231,900        | 370,720        | 350,554           | 3,548                | 3,835                  | 95             | 41,856           | 1,002,508        | -                |
| 31 <sup>st</sup> March 2021                | 208,710        | 313,144        | 328,370           | 4,580                | 3,351                  | 683            | 34,028           | -                | 892,866          |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

11 Property, Plant and Equipment

11.2 Company

| Cost / Valuation                           | Land           | Buildings      | Plant & machinery | Furniture & fittings | Computer & accessories | Motor vehicles | Cylinders Stocks | As at 31.03.22 | As at 31.03.21 |
|--|----------------|----------------|-------------------|----------------------|------------------------|----------------|------------------|----------------|----------------|
|  | Rs'000         | Rs'000         | Rs'000            | Rs'000               | Rs'000                 | Rs'000         | Rs'000           | Rs'000         | Rs'000         |
| Balance as at 01 <sup>st</sup> April       | 208,710        | 210,746        | 261,304           | 17,848               | 15,429                 | 2,448          | 98,438           | 814,923        | 756,176        |
| Additions during the year                  | -              | 526            | 8,756             | -                    | 524                    | -              | 1,652            | 11,458         | 11,158         |
| Disposal during the year                   | -              | -              | -                 | -                    | -                      | -              | -                | -              | (927)          |
| Revaluation Surplus                        | 23,190         | 35,333         | 2,706             | -                    | -                      | -              | -                | 61,229         | 66,392         |
| Accumulated Depreciation Transferred       | -              | (8,678)        | (78,090)          | -                    | -                      | -              | -                | (86,768)       | (17,876)       |
| <b>Balance as at 31<sup>st</sup> March</b> | <b>231,900</b> | <b>237,927</b> | <b>194,676</b>    | <b>17,848</b>        | <b>15,953</b>          | <b>2,448</b>   | <b>100,090</b>   | <b>800,842</b> | <b>814,923</b> |
| <b>Depreciation / Impairment</b>           |                |                |                   |                      |                        |                |                  |                |                |
| Balance as at 01 <sup>st</sup> April       | -              | -              | 51,491            | 14,756               | 12,804                 | 1,765          | 94,359           | 175,175        | 148,400        |
| Charge for the year                        | -              | 8,678          | 26,599            | 69                   | 746                    | 588            | 3,233            | 39,913         | 44,651         |
| Accumulated Depreciation Transferred       | -              | (8,678)        | (78,090)          | -                    | -                      | -              | -                | (86,768)       | (17,876)       |
| <b>Balance as at 31<sup>st</sup> March</b> | <b>-</b>       | <b>-</b>       | <b>-</b>          | <b>14,825</b>        | <b>13,550</b>          | <b>2,353</b>   | <b>97,592</b>    | <b>128,320</b> | <b>175,175</b> |
| <b>Carrying value as at</b>                |                |                |                   |                      |                        |                |                  |                |                |
| 31 <sup>st</sup> March 2022                | 231,900        | 237,927        | 194,676           | 3,023                | 2,403                  | 95             | 2,498            | 672,522        | -              |
| 31 <sup>st</sup> March 2021                | 208,710        | 210,746        | 209,813           | 3,092                | 2,625                  | 683            | 4,079            | -              | 639,748        |

### 11.3 Revaluation of Property Plant & Equipment

The Land & Building and Plant & Machineries were revalued as at 31<sup>st</sup> March 2022, by Messrs P.P.T. Mohideen - F.I.V ( Sri Lanka) / F.R.I.C.S (UK) Incorporated valuer. The surplus on revaluation relating to Land & Building and Plants & Machineries were incorporated in the Financial Statements in 31<sup>st</sup> March 2022. Such Assets were valued on an open market value for existing use basis for Land and depreciated replacement cost methods for building and plant & machineries, the surplus arising from the revaluation was transferred to the revaluation reserve.

The following properties are revalued and recorded under freehold land, Building and Property Plant and Equipments. Fair Value measurement disclosure and its fair value hierarchy is disclosed in note 33.

1. Land

2. Building

3. Machinery

#### Valuation technique

##### Market Comparable Method

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for any differences in the nature, size, location or condition of the specific property.

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 11.4 Group - Properties

|                                | Estimates for Unobservable Inputs (Level 03)  | Extent                    | Date of Valuation           | Carrying value Before Revaluation | Revalued Amount | Revaluation Surplus / (Loss) |
|--------------------------------|---|---------------------------|-----------------------------|-----------------------------------|-----------------|------------------------------|
|                                |   |                           |                             | Rs'000                            | Rs'000          | Rs'000                       |
| Land - Company                 | Rs. 500,000 per perch   | 463.8 perches             | 31 <sup>st</sup> March 2022 | 208,710                           | 231,900         | 23,190                       |
| Building - Company             | Ranging from Rs. 3,500 to Rs. 5,500 per square feet   | 71,527 sq ft <sup>2</sup> | 31 <sup>st</sup> March 2022 | 202,594                           | 237,927         | 35,333                       |
| Building - Subsidiary          | Ranging from Rs. 3,500 to Rs. 6,500 per square feet   | 30,196 sq ft <sup>2</sup> | 31 <sup>st</sup> March 2022 | 99,437                            | 132,793         | 33,356                       |
| Plant & Machinery - Company    | Depreciated Replacement cost Unobservable inputs<br>- Fair value of a new machine<br>- Depreciated percentage |                           | 31 <sup>st</sup> March 2022 | 191,970                           | 194,676         | 2,706                        |
| Plant & Machinery - Subsidiary | Depreciated Replacement cost Unobservable inputs<br>- Fair value of a new machine<br>- Depreciated percentage |                           | 31 <sup>st</sup> March 2022 | 110,110                           | 155,878         | 45,768                       |

#### Sensitivity of fair value measurement to inputs

Estimated fair value of land would increase/ (decrease) if the price per perch would increase/ (decrease).

Estimated fair value of building would increase/ (decrease) if the construction cost per square feet would increase/ (decrease).

Estimated fair value of plant and machinery would increase/ (decrease) if the current market price would increase/ (decrease).

The Group has 12 buildings as at 31<sup>st</sup> March 2022

11.5 The Carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follow.

|                   | Group          |                                |                |                                | Company        |                                |                |                                |
|-------------------|----------------|--------------------------------|----------------|--------------------------------|----------------|--------------------------------|----------------|--------------------------------|
|                   | 2022           |                                | 2021           |                                | 2022           |                                | 2021           |                                |
|                   | Cost           | Cumulative net carrying amount | Cost           | Cumulative net carrying amount | Cost           | Cumulative net carrying amount | Cost           | Cumulative net carrying amount |
|                   | Rs 000         | Rs 000                         | Rs 000         | Rs 000                         | Rs 000         | Rs 000                         | Rs 000         | Rs 000                         |
| Land              | 13,944         | 13,944                         | 13,944         | 13,944                         | 13,944         | 13,944                         | 13,944         | 13,944                         |
| Building          | 249,833        | 160,604                        | 249,217        | 168,359                        | 138,968        | 84,131                         | 138,442        | 89,117                         |
| Plant & Machinery | 519,123        | 86,992                         | 507,279        | 88,399                         | 260,504        | 47,927                         | 251,748        | 45,024                         |
|                   | <b>782,900</b> | <b>261,540</b>                 | <b>770,440</b> | <b>270,702</b>                 | <b>413,416</b> | <b>146,002</b>                 | <b>404,134</b> | <b>148,085</b>                 |

### 11.6 Fully Depreciated Assets

|                        | Group          |                | Company        |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2022<br>Rs'000 | 2021<br>Rs'000 | 2022<br>Rs'000 | 2021<br>Rs'000 |
| Building               | 3,249          | -              | -              | -              |
| Plant & Machineries    | 16,244         | -              | 8,895          | -              |
| Furniture and fittings | 17,963         | 17,578         | 14,079         | 13,715         |
| Motor vehicles         | 1,159          | 1,159          | 1,159          | 1,159          |
| Computer & Accessories | 12,951         | 11,722         | 11,419         | 10,216         |
|                        | <b>32,073</b>  | <b>30,459</b>  | <b>26,657</b>  | <b>25,090</b>  |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 11. Property, Plant and Equipment (Cont.)

11.7 Buildings of Acme Packaging Solutions (Private) Limited are constructed on land which is on a 50 years lease period obtained from the Government of Sri Lanka.

### 11.8 PPE pledged as security

PPE have been pledged as securities as at the reporting date were mentioned below.

|  | Name of the Bank     | Security                        |
|--|----------------------|---------------------------------|
| <b>Property - Company</b>                                    |                      |                                 |
| Factory premises at No. 318, Gonamadittha Road, Piliyandala. | Hatton National Bank | Primary floating mortgage bond. |
| <b>Property - Subsidiary</b>                                 |                      |                                 |
| Katugampola Industrial Estate , Makandura, Gonawila          | Sampath Bank         | Primary floating mortgage bond. |
| <b>Plant and Equipment- Subsidiary</b>                       |                      |                                 |
| Katugampola Industrial Estate , Makandura, Gonawila          | Sampath Bank         | Primary floating mortgage bond. |

### 11.9 Title restriction on PPE

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date.

### 11.10 Assessment of impairment

The Board of Directors has assessed the potential impairment loss of PPE as at 31<sup>st</sup> March 2022. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect to PPE.

### 12. Right of Use Assets

| Group  | Land<br>Rs'000 | Motor<br>Vehicles<br>Rs'000 | Plant &<br>machinery<br>Rs'000 | As at<br>31.03.22<br>Rs'000 | As at<br>31.03.21<br>Rs'000 |
|--|----------------|-----------------------------|--------------------------------|-----------------------------|-----------------------------|
| <b>Cost</b>  |                |                             |                                |                             |                             |
| Balance as at 01 <sup>st</sup> April 2021              | 2,379          | 5,267                       | 15,945                         | 23,591                      | 7,646                       |
| Additions during the year                              | -              | -                           | -                              | -                           | 15,945                      |
| Balance as at 31 <sup>st</sup> March 2022              | 2,379          | 5,267                       | 15,945                         | 23,591                      | 23,591                      |
| <b>Accumulated Amortization</b>                        |                |                             |                                |                             |                             |
| Balance as at 01 <sup>st</sup> April 2021              | 119            | 1,403                       | 423                            | 1,945                       | 935                         |
| Amortization during the year                           | 59             | 527                         | 1,275                          | 1,861                       | 1,010                       |
| Balance as at 31 <sup>st</sup> March 2022              | 178            | 1,930                       | 1,698                          | 3,806                       | 1,945                       |
| <b>Carrying value as at 31<sup>st</sup> March 2022</b> | <b>2,201</b>   | <b>3,337</b>                | <b>14,247</b>                  | <b>19,785</b>               | -                           |
| <b>Carrying value as at 31<sup>st</sup> March 2021</b> | <b>2,260</b>   | <b>3,864</b>                | <b>15,522</b>                  | <b>-</b>                    | <b>21,646</b>               |

### 13. Investment in Subsidiary

| Acme Packaging Solutions (Pvt) Ltd. | % of holding | No. of shares    |                  | Company             |                     |
|-------------------------------------|--------------|------------------|------------------|---------------------|---------------------|
|                                     |              | 31.03.22         | 31.03.21         | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 |
| Investment in ordinary shares       | 100%         | 6,757,874        | 6,757,874        | 94,610              | 94,610              |
| Deemed Investment                   |              | -                | -                | 12,800              | 12,800              |
| Less - Impairment Provision         |              | -                | -                | (107,410)           | (71,866)            |
|                                     |              | <b>6,757,874</b> | <b>6,757,874</b> | <b>-</b>            | <b>35,544</b>       |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

**13.1 Assessment of impairment for investment in ACME Packaging Solutions (Private) Limited.**

The parent company has carried out an impairment test over its investment of the subsidiary due to the recent losses and negative net assets value and accordingly investment is fully impaired during the year.

**13.2** The Subsidiary is a fully owned by the company. Accordingly the disclosures relating to subsidiaries with material non-controlling interest as required by SLFRS - 12 will not be applicable.

**14 Financial Investments - FVTOCI**

The Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term strategic purposes.

No strategic investment were disposed during 2021/22, and there were no transfers of any cumulative gain or loss within equity relating to these investments

| Classification of Financial Instrument  | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 |
| <b>Fair Value through OCI</b>           |                     |                     |                     |                     |
| <b>Unquoted</b>                         |                     |                     |                     |                     |
| Ingrin Institute of Printing & Graphics | 25                  | 25                  | 25                  | 25                  |
|   | <b>25</b>           | <b>25</b>           | <b>25</b>           | <b>25</b>           |

**14.1** As the above are unquoted investments, the fair value ("FV") have been arrived at based on directors valuation.

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 |
| as at 31 <sup>st</sup> March                      |                     |                     |                     |                     |
| <b>15 Inventories</b>                             |                     |                     |                     |                     |
| Raw materials                                     | 111,694             | 185,937             | 78,339              | 148,249             |
| Work-in-progress                                  | 29,410              | 59,348              | 18,683              | 15,584              |
| Machinery spares                                  | 49,051              | 45,677              | 33,681              | 34,268              |
| Finished goods                                    | 10,783              | 25,867              | 6,478               | 14,541              |
| Goods in transit                                  | 8,717               | 27,809              | 1,763               | 15,819              |
|   | <b>209,655</b>      | <b>344,638</b>      | <b>138,944</b>      | <b>228,461</b>      |
| Provision for slow moving Inventories (15.1)      | <b>(23,748)</b>     | <b>(19,738)</b>     | <b>(15,444)</b>     | <b>(14,210)</b>     |
|   | <b>185,907</b>      | <b>324,900</b>      | <b>123,500</b>      | <b>214,251</b>      |
| <b>15.1 Provision for slow moving Inventories</b> |                     |                     |                     |                     |
| Balance as at the beginning of the year           | 19,738              | 17,270              | 14,210              | 11,211              |
| Inventory Written-off during the year             | (2,177)             | -                   | (998)               | -                   |
| Provision for the year                            | 6,187               | 2,468               | 2,232               | 2,999               |
| Balance as at the end of the year                 | <b>23,748</b>       | <b>19,738</b>       | <b>15,444</b>       | <b>14,210</b>       |
| <b>15.2 Inventory Provision - Category-wise</b>   |                     |                     |                     |                     |
| Work In Progress                                  | 8,426               | 6,861               | 2,977               | 3,886               |
| Raw Materials                                     | 5,295               | 4,231               | 3,942               | 3,277               |
| Other Materials                                   | 4,745               | 4,745               | 4,745               | 4,745               |
| Finished Goods                                    | 4,281               | 2,899               | 2,779               | 1,301               |
| Goods in Transit                                  | 1,001               | 1,001               | 1,001               | 1,001               |
|   | <b>23,748</b>       | <b>19,737</b>       | <b>15,444</b>       | <b>14,210</b>       |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

|             | As at 31 <sup>st</sup> March                              | Group    |          | Company  |         |
|-------------|---|----------|----------|----------|---------|
|             |   | 2022     | 2021     | 2022     | 2021    |
|             |   | Rs.'000  | Rs.'000  | Rs.'000  | Rs.'000 |
| <b>16</b>   | <b>Trade and Other Receivable</b>                         |          |          |          |         |
|             | Trade receivables   | 61,288   | 284,631  | 42,902   | 122,064 |
|             | Provision for impairment of trade receivables (Note 16.1) | (10,409) | (10,936) | (7,656)  | (8,397) |
|             |   | 50,879   | 273,695  | 35,246   | 113,667 |
|             | Value Added Tax recoverable                               | 5,808    | 9,744    | 5,215    | 6,664   |
|             | Provision for Value Added Tax recoverable                 | (3,314)  | (3,314)  | (3,314)  | (3,314) |
|             |   | 2,494    | 6,430    | 1,901    | 3,350   |
|             | Nation Building Tax recoverable                           | 1,577    | 1,326    | 590      | 590     |
|             | Deposits and prepayments                                  | 28,961   | 22,990   | 21,328   | 13,498  |
|             | Economic Service Charge recoverable                       | -        | 7,093    | -        | 3,537   |
|             | Withholding Tax recoverable                               | 17,489   | 17,489   | 16,728   | 16,728  |
|             |   | 101,400  | 329,023  | 75,793   | 151,370 |
| <b>16.1</b> | <b>Provision for Impairment of Trade Receivables</b>      |          |          |          |         |
|             | Balance at the beginning of the year                      | 10,936   | 9,804    | 8,397    | 6,967   |
|             | Written-off against the Debtors                           | (205)    | (574)    | (205)    | (574)   |
|             | Provision for impairment of trade receivables             | (322)    | 1,706    | (536)    | 2,004   |
|             | Balance as at the end of the year                         | 10,409   | 10,936   | 7,656    | 8,397   |
| <b>17</b>   | <b>Amount Due from Related Parties</b>                    |          |          |          |         |
|             | <b>Non Current Asset</b>                                  |          |          |          |         |
|             | Acme Packaging Solutions (Pvt) Ltd.                       | -        | -        | 225,398  | -       |
|             | Impairment Provision                                      | -        | -        | (27,512) | -       |
|             |   | -        | -        | 197,886  | -       |
|             | <b>Current Assets</b>                                     |          |          |          |         |
|             | Acme Packaging Solutions (Pvt) Ltd.                       | -        | -        | -        | 97,991  |
|             |   | -        | -        | -        | 97,991  |

|           | As at 31 <sup>st</sup> March                                    | Group           |                 | Company    |              |
|-----------|---|-----------------|-----------------|------------|--------------|
|           |   | 2022            | 2021            | 2022       | 2021         |
|           |   | Rs.'000         | Rs.'000         | Rs.'000    | Rs.'000      |
| <b>18</b> | <b>Cash and Cash Equivalents</b>                                |                 |                 |            |              |
|           | Cash in hand  | 486             | 875             | 170        | 209          |
|           | Cash at bank  | 35,565          | 27,473          | 31,848     | 19,722       |
|           | Cash and Cash Equivalents                                       | 36,051          | 28,348          | 32,018     | 19,931       |
|           | Bank overdraft  | (65,406)        | (53,200)        | (31,047)   | (20,055)     |
|           | <b>Cash and Cash equivalents in the Statement of Cash Flows</b> | <b>(29,355)</b> | <b>(24,852)</b> | <b>971</b> | <b>(124)</b> |

|           | as at 31 <sup>st</sup> March            | No. of Shares |               | Company / Group |                |
|-----------|---|---------------|---------------|-----------------|----------------|
|           |   | 2022          | 2021          | 2022            | 2021           |
|           |   | '000          | '000          | Rs.'000         | Rs.'000        |
| <b>19</b> | <b>Stated Capital</b>                   |               |               |                 |                |
|           | Issued and fully paid - ordinary shares |               |               |                 |                |
|           | At the beginning of the year            | 41,162        | 41,162        | 592,813         | 592,813        |
|           | <b>At the end of the year</b>           | <b>41,162</b> | <b>41,162</b> | <b>592,813</b>  | <b>592,813</b> |

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 meetings of the Company / Group.

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

|   | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
| as at 31 <sup>st</sup> March                            |                 |                 |                 |                 |
| <b>20 Revaluation Reserve</b>                           |                 |                 |                 |                 |
| Balance at the beginning of the year                    | 530,616         | 408,288         | 459,521         | 351,881         |
| Revaluation Surplus on Land                             | 19,016          | 47,322          | 19,016          | 47,322          |
| Revaluation Surplus on Building                         | 56,325          | 13,998          | 28,973          | 7,119           |
| Revaluation Surplus on Plant & Machinery                | 39,748          | -               | 2,219           | -               |
| Tax gain routed through OCI due to decrease in tax rate | -               | 61,008          | -               | 53,199          |
| <b>Balance at the end of the year</b>                   | <b>645,705</b>  | <b>530,616</b>  | <b>509,729</b>  | <b>459,521</b>  |

Revaluation reserve relates to the resultant surplus on revaluation of land & buildings and plant & machineries of the Company / Group.

|   | Group              |                  | Company          |                  |
|---|--------------------|------------------|------------------|------------------|
|   | 2022<br>Rs.'000    | 2021<br>Rs.'000  | 2022<br>Rs.'000  | 2021<br>Rs.'000  |
| as at 31 <sup>st</sup> March                                  |                    |                  |                  |                  |
| <b>21 Accumulated Losses</b>                                  |                    |                  |                  |                  |
| Balance at the beginning of the year                          | (845,281)          | (722,005)        | (615,396)        | (506,605)        |
| Loss for the year   | (260,972)          | (119,021)        | (139,125)        | (105,374)        |
| Actuarial Gain / (Loss) on Defined Benefit Plans-Net of Taxes | 2,031              | (4,255)          | 1,554            | (3,417)          |
| <b>Balance at the end of the year</b>                         | <b>(1,104,223)</b> | <b>(845,281)</b> | <b>(752,967)</b> | <b>(615,396)</b> |

|  | Group           |                  | Company         |                 |
|--|-----------------|------------------|-----------------|-----------------|
|  | 2022<br>Rs.'000 | 2021<br>Rs.'000  | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
| as at 31 <sup>st</sup> March                             |                 |                  |                 |                 |
| <b>22 Interest Bearing Borrowings</b>                    |                 |                  |                 |                 |
| Short term bank loan (22.4)                              | 754,867         | 879,152          | 483,490         | 522,314         |
| Short term related party loans - Metecno Lanka (Pvt) Ltd | -               | 12,500           | -               | 12,500          |
| Short term related party loans - E.B Creasy PLC          | 150,000         | -                | 150,000         | -               |
| Term loan (Note 22.2)                                    | 50,548          | 107,374          | 7,298           | 40,208          |
| Interest payable   | 11,230          | 13,822           | 5,946           | 12,393          |
|  | <b>966,645</b>  | <b>1,012,848</b> | <b>646,734</b>  | <b>587,415</b>  |
| <b>22.1.1 Non-current liabilities</b>                    |                 |                  |                 |                 |
| Term loan payable after one year (Note 22.2)             | 25,540          | 53,548           | 3,290           | 7,298           |
| <b>22.1.2 Current liabilities</b>                        |                 |                  |                 |                 |
| Short term bank loan                                     | 754,867         | 879,152          | 483,490         | 522,314         |
| Short term related party loans - Metecno Lanka (Pvt) Ltd | -               | 12,500           | -               | 12,500          |
| Short term related party loans - E.B Creasy PLC          | 150,000         | -                | 150,000         | -               |
| Term loan payable within one year (Note 22.2)            | 25,008          | 53,826           | 4,008           | 32,910          |
| Interest payable   | 11,230          | 13,822           | 5,946           | 12,393          |
|  | <b>941,105</b>  | <b>959,300</b>   | <b>643,444</b>  | <b>580,117</b>  |
| <b>Total</b>   | <b>966,645</b>  | <b>1,012,848</b> | <b>646,734</b>  | <b>587,415</b>  |
| <b>22.2 Term loans</b>                                   |                 |                  |                 |                 |
| Balance at the beginning of the year                     | 107,374         | 154,551          | 40,208          | 79,975          |
| Loans received during the year                           | -               | -                | -               | -               |
|  | <b>107,374</b>  | <b>154,551</b>   | <b>40,208</b>   | <b>79,975</b>   |
| Repayment during the year                                | (56,826)        | (47,177)         | (32,910)        | (39,767)        |
| Balance at the end of the year                           | 50,548          | 107,374          | 7,298           | 40,208          |
| Due within one year                                      | 25,008          | 53,826           | 4,008           | 32,910          |
| Due after one year                                       | 25,540          | 53,548           | 3,290           | 7,298           |
|  | <b>50,548</b>   | <b>107,374</b>   | <b>7,298</b>    | <b>40,208</b>   |
| <b>22.3 Analysis of Term Loans</b>                       |                 |                  |                 |                 |
| <b>By Year of Repayment</b>                              |                 |                  |                 |                 |
| Repayable within a year                                  | 25,008          | 53,826           | 4,008           | 32,910          |
| Repayable between 1 and 2 years from year end            | 21,290          | 40,043           | 3,290           | 7,298           |
| Repayable between 2 and 5 years from year end            | 4,250           | 13,505           | -               | -               |
|  | <b>50,548</b>   | <b>107,374</b>   | <b>7,298</b>    | <b>40,208</b>   |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 22 Interest Bearing Borrowings (Cont.)

#### 22.3 Analysis of Term Loans (Cont.)

| COMPANY                             | RATE OF INTEREST (P.A)            | 31.03.22<br>RS'000 | 31.03.21<br>Rs'000 | REPAYMENT  | SECURITY   |
|-------------------------------------|-----------------------------------|--------------------|--------------------|--|--|
| ACME Printing and Packaging PLC     | NDB 40 MN (Fixed 14.5% & 12.5%)   | -                  | 20,000             | Repayable in 18 equal monthly installments commencing from October 2019  | Primary Mortgage Bond over stocks & Debts of the borrowers and Monthly transfer of Rs. 0.10 MN to Savings Account. |
|                                     | NDB 42.1 MN (Fixed 14.5%)         | -                  | 8,902              | Repayable in 18 equal monthly installments commencing from October 2019  | Primary Mortgage Bond over stocks & Debts of the borrowers and Monthly transfer of Rs. 0.10MN to Savings Account.  |
|                                     | SEYLAN 20MN (AWPLR+2.5)%          | 7,298              | 11,306             | Repayable in 60 equal monthly installments commencing from December 2019 | Facility Agreement Monthly transfer of Rs. 0.15MN to Savings Account.  |
|                                     |                                   | <b>7,298</b>       | <b>40,208</b>      |  |  |
| Acme Packaging Solutions (Pvt) Ltd. | Sampath Bank - 75 Mn (AWPLR+2.5)% | 36,250             | 53,750             | Repayable in equal monthly installments commencing from December 2018    | Mortgage of Rs. 90 Mn over Machinery owned by Acme Packaging Solution.   |
|                                     | Sampath Bank - 15 Mn (AWPLR+2.5)% | 7,000              | 10,500             | Repayable in equal monthly installments commencing from December 2018    | Mortgage of Rs. 90 Mn over Machinery owned by Acme Packaging Solution.   |
|                                     | Sampath Bank - 10 Mn (AWPLR+3)%   | -                  | 2,916              | Repayable in equal monthly installments commencing from December 2018    | Loan agreement Rs. 10 MN Pro note. Rs. 10 mn.  |
|                                     |                                   | <b>43,250</b>      | <b>67,166</b>      |  |  |
| GROUP                               |                                   | <b>50,548</b>      | <b>107,374</b>     |  |  |

22.4 Short term bank loans are repayable within a period of six months. Lands and Buildings, inventories and trade debtors have ben pledged against the short term borrowings. Interest rate for the short term borrowings varies between 8% - 14.5%

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

| 23 | Lease Creditors                      | Group           |                 | Company         |                 |
|----|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|    |                                      | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
|    | Balance at the beginning of the year | 17,206          | 5,611           | -               | -               |
|    | Lease obtained during the year       | -               | 12,200          | -               | -               |
|    | Lease Interest During the Year       | 2,220           | 1,881           | -               | -               |
|    | Lease rentals paid during the year   | (5,726)         | (2,486)         | -               | -               |
|    | Balance at the end of the year       | 13,700          | 17,206          | -               | -               |
|    | Due within one year                  | 3,318           | 3,285           | -               | -               |
|    | Due after one year                   | 10,382          | 13,921          | -               | -               |
|    |                                      | 13,700          | 17,206          | -               | -               |

  

| 23.1 | Analysis of Finance Lease Liabilities by period of Re-payment<br>As at 31 <sup>st</sup> March 2022 | Group 2022                               |                     |  | Group 2021                               |                     |  |
|------|--|--|---------------------|--|--|---------------------|--|
|      |  | Future minimum lease payments<br>Rs.'000 | Interest<br>Rs.'000 | Present value of minimum lease payments<br>Rs.'000 | Future minimum lease payments<br>Rs.'000 | Interest<br>Rs.'000 | Present value of minimum lease payments<br>Rs.'000 |
|      | Repayable - within one year  | 5,564                                    | 2,246               | 3,318  | 5,531                                    | 2,246               | 3,285  |
|      | Repayable - 1 to 5 year  | 14,861                                   | 4,479               | 10,382   | 26,041                                   | 12,120              | 13,921   |
|      |  | 20,425                                   | 6,725               | 13,700   | 31,572                                   | 14,366              | 17,206   |

### 23.2 Details of the lease obtained / Recognised during the year

During the year 2020/21, ACME Packaging Solutions (Pvt) Ltd. has recognised a ROU asset as per SLFRS 16. The details pertaining to the lease facility depicted in the below table.

| Assets Class          | Leased Capital<br>Rs.'000 | Rental<br>Rs.'000 | No. of Instalments | Total Cash Outflows<br>Rs.'000 | Interest Component<br>Rs.'000 | Effective Interest Rate | Start Date | End Date  |
|-----------------------|---------------------------|-------------------|--------------------|--------------------------------|-------------------------------|-------------------------|------------|-----------|
| ROU - Land            | 2,082                     | 324 P.A           | 38                 | 12,268                         | 10,230                        | 15.5%                   | 4/1/2019   | 5/1/2022  |
| ROU - Machine         | 70,598                    | 1500 P.M.         | 60                 | 90,000                         | 19402                         | 10%                     | 4/1/2019   | 3/31/2024 |
| ROU - Slitter Machine | 12,200                    | 298 P.M.          | 60                 | 17,582                         | 5,382                         | 15.5%                   | 7/27/2020  | 7/5/2025  |

Lease liability with respect to the ROU Machine has been eliminated in preparing consolidated financial statements.

| 24   | Deferred Tax Liability  | Group           |                 | Company         |                 |
|------|---|-----------------|-----------------|-----------------|-----------------|
|      |   | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
|      | As at 31 <sup>st</sup> March  |                 |                 |                 |                 |
|      | Deferred tax asset (Note 24.1)  | 161,967         | 147,940         | 115,068         | 110,077         |
|      | Deferred tax liability ( Note 24.2)   | (161,967)       | (147,940)       | (115,068)       | (110,077)       |
|      |   | -               | -               | -               | -               |
| 24.1 | Deferred Tax Asset  |                 |                 |                 |                 |
|      | Balance at the beginning of the year  | 147,940         | 178,256         | 110,077         | 127,250         |
|      | Amount reversing during the year to Income statement                                    | 14,523          | (79,617)        | 5,382           | (58,482)        |
|      | Amount originating during the year to Income statement due to tax rate change           | -               | 43,360          | -               | 43,360          |
|      | Amount originating during the year to Other Comprehensive Income                        | (496)           | 219             | (391)           | 35              |
|      | Amount originating during the year to Other Comprehensive Income due to tax rate change | -               | 5,722           | -               | (2,086)         |
|      | Balance at the end of the year  | 161,967         | 147,940         | 115,068         | 110,077         |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 24 Deferred Tax Liability (Cont.)

|   | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
| <b>24.2 Deferred Tax Liability</b>  |                 |                 |                 |                 |
| Balance at the beginning of the year  | 147,940         | 215,624         | 110,077         | 164,618         |
| Amount reversing during the year to Income statement                                  | (11,186)        | (18,245)        | (5,980)         | (3,592)         |
| Amount reversing during the year to Income statement due to tax rate change           | -               | (9,164)         | -               | (9,164)         |
| Amount originating during the year to Other Comprehensive Income                      | (50)            | (536)           | (50)            | (536)           |
| Amount reversing during the year to Other Comprehensive Income due to tax rate change | -               | (53,199)        | -               | (53,199)        |
| Revaluation surplus OCI   | 25,263          | 13,461          | 11,021          | 11,951          |
| <b>Balance at the end of the year</b>   | <b>161,967</b>  | <b>147,940</b>  | <b>115,068</b>  | <b>110,077</b>  |

Deferred tax assets and liabilities are attributable to the following:

|                                    | Group                           |                       |                                 |                       | Company                         |                       |                                 |                       |
|------------------------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
|                                    | 2022                            |                       | 2021                            |                       | 2022                            |                       | 2021                            |                       |
|                                    | Temporary Difference<br>Rs.'000 | Tax Effect<br>Rs.'000 | Temporary Difference<br>Rs.'000 | Tax Effect<br>Rs.'000 | Temporary Difference<br>Rs.'000 | Tax Effect<br>Rs.'000 | Temporary Difference<br>Rs.'000 | Tax Effect<br>Rs.'000 |
| <b>Deferred Tax Liabilities</b>    |                                 |                       |                                 |                       |                                 |                       |                                 |                       |
| Property, Plant & Equipment        | 759,745                         | 136,754               | 747,107                         | 134,479               | 578,314                         | 104,097               | 545,142                         | 98,126                |
| Revaluation Reserve                | 140,353                         | 25,263                | 74,781                          | 13,461                | 61,229                          | 11,021                | 66,392                          | 11,951                |
| Employee Benefits - Actuarial Loss | (280)                           | (50)                  | -                               | -                     | (280)                           | (50)                  | -                               | -                     |
|                                    | <b>899,818</b>                  | <b>161,967</b>        | <b>821,888</b>                  | <b>147,940</b>        | <b>639,263</b>                  | <b>115,068</b>        | <b>611,534</b>                  | <b>110,077</b>        |
| <b>Deferred Tax Assets</b>         |                                 |                       |                                 |                       |                                 |                       |                                 |                       |
| Employee Benefits                  | 22,932                          | 4,128                 | 28,310                          | 5,096                 | 18,264                          | 3,287                 | 23,049                          | 4,149                 |
| Tax loss carried forward           | 876,886                         | 157,839               | 793,578                         | 142,844               | 620,999                         | 111,781               | 588,485                         | 105,928               |
|                                    | <b>899,818</b>                  | <b>161,967</b>        | <b>821,888</b>                  | <b>147,940</b>        | <b>639,263</b>                  | <b>115,068</b>        | <b>611,534</b>                  | <b>110,077</b>        |
|                                    | -                               | -                     | -                               | -                     | -                               | -                     | -                               | -                     |

|  | Group           |                 |                            |                 | Company         |                 |                            |                 |
|--|-----------------|-----------------|----------------------------|-----------------|-----------------|-----------------|----------------------------|-----------------|
|  | Profit or Loss  |                 | Other Comprehensive Income |                 | Profit or Loss  |                 | Other Comprehensive Income |                 |
|  | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000            | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000            | 2021<br>Rs.'000 |
| <b>Deferred Tax Liabilities</b>  |                 |                 |                            |                 |                 |                 |                            |                 |
| Property, Plant & Equipment  | (11,186)        | (18,245)        | 25,263                     | 13,461          | (5,980)         | (3,592)         | 11,021                     | 11,951          |
| Reversal of deferred tax liabilities due to rate change                              | -               | (9,164)         | -                          | (53,199)        | -               | (9,164)         | -                          | (53,199)        |
| Employee Benefits  | -               | -               | (50)                       | (536)           | -               | -               | (50)                       | (536)           |
|  | <b>(11,186)</b> | <b>(27,409)</b> | <b>25,213</b>              | <b>(40,274)</b> | <b>(5,980)</b>  | <b>(12,756)</b> | <b>10,971</b>              | <b>(41,784)</b> |
| <b>Deferred Tax Assets</b>   |                 |                 |                            |                 |                 |                 |                            |                 |
| Employee Benefits (Reversal) / Originating of deferred tax assets due to rate change | (472)           | (1,710)         | (496)                      | 219             | (470)           | (1,694)         | (391)                      | 35              |
| Tax loss carried forward   | -               | 43,360          | -                          | 5,722           | -               | 43,360          | -                          | (2,086)         |
|  | <b>14,996</b>   | <b>(77,907)</b> | <b>-</b>                   | <b>-</b>        | <b>5,854</b>    | <b>(56,788)</b> | <b>-</b>                   | <b>-</b>        |
|  | <b>14,523</b>   | <b>(36,257)</b> | <b>(496)</b>               | <b>5,941</b>    | <b>5,382</b>    | <b>(15,122)</b> | <b>(391)</b>               | <b>(2,051)</b>  |
|  | <b>(25,709)</b> | <b>8,848</b>    | <b>25,709</b>              | <b>(46,215)</b> | <b>(11,362)</b> | <b>2,366</b>    | <b>11,362</b>              | <b>(39,733)</b> |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

The tax losses of the Group as at the reporting date was Rs.1,223 Mn (Company - Rs. 728 Mn) resulting in a deferred tax asset of Rs.220 Mn(Company - Rs. 131 Mn) as at the reporting date. However, deferred tax asset has been recognised only up to the deferred tax liability from temporarily defences. Balance tax losses not been considered in arriving at the deferred tax assets due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilized. Accordingly, the unrecognised deferred tax asset at reporting date was Rs. 62 Mn, (Company 19 Mn).Further deferred tax assets arising from deductible temporary differences of inventory and debtors provision have not been considered due to unavailability of sufficient taxable temporary differences.

### 25 Employee benefits

#### 25.1 Defined Contribution Plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 |
| <b>Employees' Provident Fund</b>  |                     |                     |                     |                     |
| Employers' contribution   | 10,110              | 9,896               | 6,714               | 6,629               |
| Employees' contribution   | 7,370               | 7,234               | 5,106               | 5,056               |
| Employees' Trust Fund   | 2,527               | 2,474               | 1,678               | 1,657               |
| <b>25.2 Net Defined Benefits Obligations / Plan Assets</b>                            |                     |                     |                     |                     |
| Defined benefits plan assets (Note 25.2.a.i)  | 10,107              | 9,551               | 10,107              | 9,551               |
| Defined benefits obligations (Note 25.2.a.ii)   | (22,932)            | (28,310)            | (18,264)            | (23,049)            |
|   | (12,825)            | (18,759)            | (8,157)             | (13,498)            |
| <b>25.2.a.i Defined Benefits plan assets</b>  |                     |                     |                     |                     |
| - In respect of services rendered before 1992/93 fund with NDB Wealth Management Fund | 8,675               | 8,259               | 8,675               | 8,259               |
| - In respect of services rendered after 1992/93 fund with AVIVA Insurance Lanka PLC   | 1,432               | 1,292               | 1,432               | 1,292               |
|   | 10,107              | 9,551               | 10,107              | 9,551               |
| <b>25.2.a.ii Defined benefits obligations</b>   |                     |                     |                     |                     |
| In respect of services rendered before 1992/93  |                     |                     |                     |                     |
| - Unfunded obligations  | 2,789               | 2,789               | 2,789               | 2,789               |
| In respect of services rendered after 1992/93   |                     |                     |                     |                     |
| - Present value of funded obligations   | 15,475              | 20,260              | 15,475              | 20,260              |
| - Present value of Unfunded obligation  | 4,668               | 5,261               | -                   | -                   |
|   | 22,932              | 28,310              | 18,264              | 23,049              |

25.3 Retiring gratuity is a defined benefit plan covering employees of the Company. Prior to 1<sup>st</sup> April 1993 the Company's liability amounting to Rs.2.8 Mn was un-funded and was provided for in the books of the Company.

Subsequent to 1<sup>st</sup> April 1993, the externally funded policy purchased from, AIA Insurance Lanka PLC, covers 92 (2020 - 75) staff members attached to the Company.

25.4 An actuarial valuation was carried out by Mr. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Limited as at 31<sup>st</sup> March 2021. The valuation method used by the Actuary is the "Projected Unit Credit Method", the method recommended by Sri Lanka Accounting Standard 19 "Employee Benefits" (LKAS 19).

Results of the actuarial valuation indicate the following, which have been accounted for:

|   | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 |
| Fair value of assets                              | 10,107              | 9,551               | 10,107              | 9,551               |
| Present value of funded obligations               | (22,932)            | (28,310)            | (18,264)            | (23,049)            |
| Present value of net obligations                  | (12,825)            | (18,759)            | (8,157)             | (13,498)            |
| <b>25.5 Movement in the fair value of assets</b>  |                     |                     |                     |                     |
| Fair value of assets at the beginning of the year | 9,551               | 8,706               | 9,551               | 8,706               |
| Benefits paid by the assets                       | -                   | -                   | -                   | -                   |
| Expected return on assets                         | 836                 | 914                 | 836                 | 914                 |
| Actuarial Gain / (Loss) on assets                 | (280)               | (69)                | (280)               | (69)                |
| Fair value of assets at the end of the year       | 10,107              | 9,551               | 10,107              | 9,551               |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 25 Employee benefits ( Cont.)

| As at 31 <sup>st</sup> March                               | Group  |                 | Company         |                 |
|--|--|-----------------|-----------------|-----------------|
|  | 2022<br>Rs.'000  | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
| <b>25.6</b>  | <b>Movement in the present value of defined benefit obligations</b>        |                 |                 |                 |
| Defined Benefit Obligations as at beginning of the year    | 28,310   | 22,025          | 23,049          | 18,585          |
| Current service cost                                       | 1,887  | 2,586           | 1,325           | 1,855           |
| Past service cost  | (756)  | -               | (745)           | -               |
| Interest cost  | 2,478  | 2,312           | 2,017           | 1,951           |
| Actuarial (Gain)/Loss                                      | (2,757)  | 2,853           | (2,175)         | 1,833           |
| Benefits paid  | (6,230)  | (1,466)         | (5,207)         | (1,175)         |
| <b>Total obligation at the end of the year</b>             | <b>22,932</b>  | <b>28,310</b>   | <b>18,264</b>   | <b>23,049</b>   |
| <b>25.7</b>  | <b>Provision recognised in the Statement of Profit or Loss</b>             |                 |                 |                 |
| Current service cost                                       | (1,887)  | (2,586)         | (1,325)         | (1,855)         |
| Past Service Cost  | 756  | -               | 745             | -               |
| Interest cost  | (2,478)  | (2,312)         | (2,017)         | (1,951)         |
| Expected return on assets                                  | 836  | 914             | 836             | 914             |
|  | (2,773)  | (3,984)         | (1,761)         | (2,892)         |
| <b>25.8</b>  | <b>Provision recognised in the Statement of Other Comprehensive Income</b> |                 |                 |                 |
| Actuarial Gain / (Loss) during the year - Plan Assets      | (280)  | (69)            | (280)           | (69)            |
| Actuarial Gain / (Loss) during the year - Plan Liability   | 2,757  | (2,853)         | 2,175           | (1,833)         |
|  | 2,477  | (2,922)         | 1,895           | (1,902)         |
| <b>25.9</b>  | <b>Actuarial assumptions</b>   |                 | <b>Group</b>    |                 |
| Principal actuarial assumptions at the reporting date,     | 31.03.22   | 31.03.21        | 31.03.22        | 31.03.21        |
| Discount rate as at 31 <sup>st</sup> March                 | 13.00%   | 8.8%            | 13.00%          | 8.8%            |
| Expected return on Fund assets as at 1 <sup>st</sup> April | 10.50%   | 10.5%           | 10.50%          | 10.5%           |
| Future salary increases                                    | 8%   | 8%              | 8%              | 8%              |
| Staff turnover   | 20.00%   | 5.0%            | 20.00%          | 5.0%            |

Average future working life time in company and subsidiary is 3.86 and 3.38 respectively.

#### 25.10 Sensitivity analysis

If there is a change in the assumption by 1%, the following would be the impact on Employee Benefits. Effect on Defined Benefit Obligation Liability as at 31<sup>st</sup> March 2022.

During 2021/22, the pension arrangements was adjusted to reflect new legal requirements as per Minimum Retirement age of workers Act No. 28 of 2021 regarding the retirement age. As a result of the plan amendment, the Group and the Company defined benefit obligation decrease by 756 and 745 respectively. A corresponding past service credit was recognised in profit or loss during 2021/22.

|                | Group         |               |                       |               | Company       |               |                       |               |
|----------------|---------------|---------------|-----------------------|---------------|---------------|---------------|-----------------------|---------------|
|                | Discount rate | Effect Rs'000 | Salary increment rate | Effect Rs'000 | Discount rate | Effect Rs'000 | Salary increment rate | Effect Rs'000 |
| Increase by 1% | 14.00%        | (681)         | 9%                    | 726           | 14.00%        | (553)         | 9%                    | 590           |
| Decrease by 1% | 12.00%        | 729           | 7%                    | (689)         | 12.00%        | 592           | 7%                    | (559)         |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

| As at 31 <sup>st</sup> March            | Group               |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 | 31.03.22<br>Rs.'000 | 31.03.21<br>Rs.'000 |
| <b>26 Trade and other payables</b>      |                     |                     |                     |                     |
| Trade payables                          | 113,644             | 188,881             | 38,836              | 88,608              |
| Accrued expenses                        | 92                  | 92                  | 92                  | 92                  |
| Value Added Tax Payable                 | 27,139              | 14,748              | 18,309              | 5,414               |
| Other payables                          | 8,779               | 11,537              | 5,844               | 5,451               |
|   | <b>149,654</b>      | <b>215,258</b>      | <b>63,081</b>       | <b>99,565</b>       |
| <b>27 Amount due to related Parties</b> |                     |                     |                     |                     |
| Lanka Aluminium Industries PLC          | -                   | 887                 | -                   | 887                 |
| Comark Lanka (Private) Limited          | -                   | 502                 | -                   | 502                 |
| Lankem Ceylon PLC                       | 3,150               | -                   | 3,150               | -                   |
|   | <b>3,150</b>        | <b>1,389</b>        | <b>3,150</b>        | <b>1,389</b>        |

### 28 Contingent Liabilities

a) As reported last year, the blue collar workers represented by the CIWU rejected the offers made by the management regarding wage structures and increments. The Union Instituted an action against the Company on behalf of their members, but there has been no resolution. The Company has the fullest confidence of success.

b) The Company has received a tax in default notice relating to VAT payable on 1<sup>st</sup> March 2013. The Company is in the process of discussing with the Department of Inland Revenue on this notice. However, based on the internal assessment, the Company is not expecting any additional payment relating to VAT resulting due to this notice. Accordingly, no provision is made in the Financial Statements.

c) The Company has received a tax in default notice relating to ESC payable on 9<sup>th</sup> March 2015. The Company is in the process of discussing with the Department of Inland Revenue on this notice. However, based on the internal assessment, the Company is not expecting any additional payment relating to ESC resulting due to this notice. Accordingly, no provision is made in the Financial Statements.

d) The Company did not have any material litigations and claims which required adjustment or disclosure in the Financial Statements as at the reporting date.

The Company did not have any other contingent liabilities as at the reporting date other than those disclosed above.

### 29 Related Party Transactions

The ultimate parent company is Lankem Ceylon PLC

#### 29.1 Key management personnel (KMP)

"Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly."

The Company has identified the Board of Directors (including Executive and Non-Executive Directors) as KMP of the Company.

As the Company is the ultimate parent of the Subsidiary, ACME Packaging Solutions (Pvt) Ltd, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly. Accordingly the Board of Directors of the Company (Including Executive and Non-Executive) are KMPs of the Group.

| Compensation of Directors | Group           |                 | Company         |                 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
|                           | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
| Short term benefits       | 2,250           | 6,900           | 2,250           | 6,900           |
| Post employment benefits  | Nil             | Nil             | Nil             | Nil             |

No other payments such as post employment benefits, termination benefits or share based payments have been paid to key management personnel during the year.

No loans have been given to the Directors of the Company.

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 29 Related Party Transactions (Cont.)

#### 29.2 Transactions with related companies

##### 29.2 a Recurrent Related Party Transactions

Recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the company as per 31 March 2022 audited financial statements, which required additional disclosures in the 2022 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 are as follows;

| Name of the Related Party           | Relationship | Nature of the Transaction             | Aggregated Value of Related Party Transactions entered into during the year Financial Year Rs'000 | Transactions Value as a % of net revenue Income | Terms and Conditions  |
|-------------------------------------|--------------|---------------------------------------|---|---|-----------------------|
| Acme Packaging Solutions (Pvt) Ltd. | Subsidiary   | Sale of Goods (inclusive of tax)      | 330,432   | 42%   | On arm's length basis |
|                                     |              | Purchases of Goods (inclusive of tax) | 163,187   | 21%   |                       |

##### 29.2.b. Transactions with related companies

| Company Name                                     | Relationship    | Name of the Directors                  | Nature of Transaction                    | Transaction Amount 2022 Rs'000 | Transaction Amount 2021 Rs'000 |  |
|--|-----------------|--|--|--------------------------------|--------------------------------|--|
| Acme Packaging Solutions (Pvt) Ltd. (Subsidiary) | Subsidiary      | H. D. S. Amarasuriya (Former Director) | Opening balance                          | 97,991                         | 87,527                         |  |
|  |                 | R. Seevaratnam                         | Sale of goods (inclusive of tax)         | 330,432                        | 572,360                        |  |
|  |                 | J. M. Swaminathan                      | Purchases of goods (inclusive of tax)    | (163,187)                      | (396,812)                      |  |
|  |                 | A. Hettiarachchi                       | Machinery Rent Income (inclusive of tax) | 19,440                         | 19,440                         |  |
|  |                 | S.D.R. Arudpragasam                    | Shared Salaries (inclusive of tax)       | 19,051                         | 19,051                         |  |
|  |                 | A. Rajaratnam                          | Impairment Provision                     | (27,512)                       | -                              |  |
|  |                 | P.S. Goonewardene                      | Fund Trasfers                            | (78,329)                       | (203,575)                      |  |
|  |                 | G.K.B. Dasanayaka                      | Closing Balance                          | 197,886                        | 97,991                         |  |
|  |                 | A.C.S. Jayaranjan                      |  |                                |                                |  |
|  |                 | P.M.A. Sirimane                        |  |                                |                                |  |
| Lankem Ceylon PLC                                | Ultimate parent |  | Opening balance                          | (4,620)                        | -                              |  |
|  |                 |  | Raw Material Purchases                   | (6,480)                        | -                              |  |
|  |                 |  | Repayment                                | 7,950                          | -                              |  |
|  |                 |  | Closing Balance                          | (3,150)                        | -                              |  |
| E.B. Creasy PLC                                  | Related Entity  |  | Short Term Loan Obtained                 | (150,000)                      | -                              |  |
|  |                 |  | Repayment                                | -                              | -                              |  |
|  |                 |  | Interest Charged                         | (1,811)                        | -                              |  |
|  |                 |  | Interest Paid                            | -                              | -                              |  |
|  | Closing Balance | (151,811)                              | -  |                                |                                |  |
| C.W. Mackie PLC                                  | Related Entity  |  | Opening balance                          | 3,508                          | -                              |  |
|  |                 |  | Sales of Goods - Incl. Taxes             | 13,265                         | -                              |  |
|  |                 |  | Settlement                               | (14,213)                       | -                              |  |
|  |                 |  | Closing Balance                          | 2,560                          | -                              |  |
| Union Commodities (Pvt) Ltd                      | Related Entity  |  | Opening balance                          | -                              | -                              |  |
|  |                 |  | Sales of Goods - Incl. Taxes             | 744                            | -                              |  |
|  |                 |  | Settlement                               | (744)                          | -                              |  |
|  |                 |  | Closing Balance                          | -                              | -                              |  |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

The above mentioned transactions are recurring and were carried out at "arms length" basis.

No Bad & doubtful debt provisions has been made related to the balance mentioned above and no guarantees were obtained to secure the receivable

### 29.2 c NON-RECURRENT RELATED PARTY TRANSACTIONS

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31<sup>st</sup> March 2022 audited financial statements, which required additional disclosures in the 2022 Annual Report under Colombo Stock Exchange listing Rule 9.3.2.

### 30 Contracts for Capital Expenditure

There were no capital commitments outstanding as at 31<sup>st</sup> March 2022.

### 31 Financial risk management

#### 31.1 Introduction and overview

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

1. Credit risk
2. Liquidity risk
3. Market risk
4. Interest Rate risk
5. Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this Financial Statement.

#### 31.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

#### 31.3 Financial risk management objectives and policies

The objective of the financial risk management strategy of the Group is to minimize the impact of risks that arise due to the use of financial instruments. The risks that are unmanaged can potentially result in the Group being unable to achieve its budgeted profits in a given financial year. Hence, importance is given by the Group to manage financial risk.

#### 31.4 Market risk management

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to the change in market factors such as exchange rates and interest rates. Such risks could affect Group's income and expenses and could have a potentially adverse impact on the profits attributable to the shareholders. The objective of market risk management is to manage and control market risk exposure within acceptable limits while optimizing returns.

#### 31.5 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 its contractual obligations and arises principally from the Group receivables from customers.

The maximum risk exposure of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk position

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

|                                       | Group           |                 | Company         |                 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                       | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
| Trade Receivable and other receivable | 79,840          | 296,683         | 56,574          | 127,163         |
| Investment - FVTOCI                   | 25              | 25              | 25              | 25              |
| Amounts due from related parties      | -               | -               | 197,886         | 97,991          |
| Cash & Short term deposits            | 35,565          | 27,473          | 31,848          | 19,722          |

### Trade and other receivables

The Group assesses its credit risk through expected credit loss on its trade receivables.

ECL is calculated based on the delinquency status and the actual credit loss experience over the past 3 years. These rates are multiplied by scalar factors to reflect the differences between economic conditions during the period over which the historical data has been collected, Current conditions and the Group's view of economic conditions over the expected lives of the receivables.

### Expected credit loss assessment for individual customers as at 31<sup>st</sup> March 2022

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the type of the customer.

"The majority of the Group trade receivable are due to settlement within 90 days comprising 91% (Company - 91%) of the total Gross receivable as at the end of the financial year. The credit policy of SBU's are prepared subsequent to analyzing the credit profile of a customer. In this regard factors such as the credit history, legal status, market share, geographical locations of operation, and industry information are considered. Each SBU's has identified credit limits for each of its customers and if the customer does not meet the criteria or the stipulated benchmark on a transaction, then the business is carried out with such customers only up to the value of the guarantee value or advance obtained."

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from residential customers segment as at 31<sup>st</sup> March 2022.

| As at 31 <sup>st</sup> March              | Group                      |                       |                     |                     | Company                    |                       |                     |                     |
|---|----------------------------|-----------------------|---------------------|---------------------|----------------------------|-----------------------|---------------------|---------------------|
|   | Weighted average loss rate | Gross carrying amount | Loss allowance 2022 | Loss allowance 2021 | Weighted average loss rate | Gross carrying amount | Loss allowance 2022 | Loss allowance 2021 |
|   |                            | Rs. '000              | Rs. '000            | Rs. '000            |                            | Rs. '000              | Rs. '000            |                     |
| Less than 30 days                         | 0.17%                      | 49,443                | (134)               | (368)               | 0.20%                      | 34,160                | (66)                | (186)               |
| More than 30 days but less than 60 days   | 1.56%                      | 64                    | (1)                 | (92)                | 1.56%                      | 64                    | (1)                 | (77)                |
| More than 60 days but less than 90 days   | 5.98%                      | 184                   | (11)                | (98)                | 5.98%                      | 184                   | (11)                | (28)                |
| More than 90 days but less than 180 days  | 13.65%                     | 1,084                 | (148)               | (249)               | 15.83%                     | 872                   | (138)               | (72)                |
| More than 180 days but less than 365 days | 69.66%                     | 1,312                 | (914)               | (911)               | 79.78%                     | 900                   | (718)               | (601)               |
| More than 365 days                        | 100.00%                    | 9,201                 | (9,201)             | (9,218)             | 100.00%                    | 6,722                 | (6,722)             | (7,433)             |
| <b>Total Gross Trade receivable</b>       |                            | <b>61,288</b>         | <b>(10,409)</b>     | <b>(10,936)</b>     |                            | <b>42,902</b>         | <b>(7,656)</b>      | <b>(8,397)</b>      |
| <b>Total Net Trade receivable</b>         |                            |                       | <b>50,879</b>       |                     |                            |                       | <b>35,246</b>       |                     |

### Cash and Cash Equivalents

The credit risk arising from the deposits made in financial institutions are managed by the Group policy directions provided by the Board of Directors. ACME Printing & Packaging PLC transacts only with a limited number of institutions all of which have stable credit ratings. The Group's exposure and credit rating of counter-parties are continuously monitored. The credit ratings of each institution where the Group held its deposits are listed below.

| Institute              | Credit Rating | Institute             | Credit Rating |
|------------------------|---------------|-----------------------|---------------|
| 1. NDB Bank            | A(Ika)/Stable | 4. Seylan Bank PLC    | A(Ika)        |
| 2. Commercial Bank PLC | AA-(Ika)      | 5. Peoples Bank       | AA(Ika)       |
| 3. Sampath Bank PLC    | AA-(Ika)      | 6. Nations Trust Bank | A(Ika)        |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 31 Financial risk management (cont.)

#### 31.6 Liquidity risk

The liquidity risk of the Group arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the Group's operations while impairing investor, customer and supplier confidence thereby weakening its competitive position. The Group had adopted a number of strategies in order to ensure that sufficient cash resources are available to meet both operational and investment liquidity whilst meeting its debt servicing obligations.

The Group closely monitors cash inflows and outflows both at Consolidated and sector levels to ensure matching of cash flows wherever possible.

The Group has sufficient approved banking facilities in reserve and had over Rs. 5 Mn undrawn facilities as at the end of the financial year, which could be utilized at a short notice. The Group evaluates its funding requirements at frequent intervals and access debt and capital markets at appropriate times. The details of bank facilities are as follow:

#### 31.6 Liquidity risk (Cont.)

##### 32.6.a. Bank Overdraft

| As at 31 <sup>st</sup> March  | 2022                          |                              |                               |                              | 2021                          |                              |                               |                              |
|-------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
|                               | Group                         |                              | Company                       |                              | Group                         |                              | Company                       |                              |
| 31.6.a. Bank Overdraft        | Facility Available<br>Rs.'000 | Facility Utilised<br>Rs.'000 | Facility Available<br>Rs.'000 | Facility Utilised<br>Rs.'000 | Facility Available<br>Rs.'000 | Facility Utilised<br>Rs.'000 | Facility Available<br>Rs.'000 | Facility Utilised<br>Rs.'000 |
| Hatton National Bank PLC      | 10,000                        | 10,103                       | -                             | 5,982                        | 10,000                        | 13,029                       | -                             | -                            |
| People's Bank                 | -                             | 4,182                        | -                             | 4,182                        | -                             | 2,523                        | -                             | 2,523                        |
| NDB Bank PLC                  | 23,000                        | 26,031                       | 13,000                        | 15,423                       | 23,000                        | 22,909                       | 13,000                        | 13,059                       |
| Seylan Bank PLC               | -                             | -                            | -                             | -                            | -                             | -                            | -                             | -                            |
| Sampath Bank PLC              | 10,000                        | 10,130                       | -                             | -                            | 10,000                        | 10,166                       | -                             | -                            |
| Nations Trust Bank PLC        | -                             | 9,500                        | -                             | -                            | -                             | 4,573                        | -                             | 4,473                        |
| Amana Bank PLC                | -                             | 5,425                        | -                             | 5,425                        | -                             | -                            | -                             | -                            |
| Commercial Bank PLC           | -                             | 35                           | -                             | 35                           | -                             | -                            | -                             | -                            |
|                               | 43,000                        | 65,406                       | 13,000                        | 31,047                       | 43,000                        | 53,200                       | 13,000                        | 20,055                       |
| <b>31.6.b Short Term Loan</b> |                               |                              |                               |                              |                               |                              |                               |                              |
| Hatton National Bank PLC      | 183,000                       | 169,228                      | 153,000                       | 144,333                      | 183,000                       | 178,621                      | 153,000                       | 150,263                      |
| People's Bank                 | 150,000                       | 149,998                      | 150,000                       | 149,998                      | 150,000                       | 157,361                      | 150,000                       | 157,361                      |
| NDB Bank PLC                  | 154,000                       | 161,277                      | 115,000                       | 133,639                      | 154,000                       | 163,874                      | 115,000                       | 114,943                      |
| Sampath Bank PLC              | 80,000                        | 107,684                      | -                             | -                            | 80,000                        | 82,739                       | -                             | -                            |
| Seylan Bank PLC               | -                             | 25,000                       | -                             | 25,000                       | -                             | 29,717                       | -                             | 29,717                       |
| Nations Trust Bank PLC        | -                             | -                            | -                             | -                            | -                             | -                            | -                             | -                            |
| Softlogic Finance PLC         | 260,000                       | 141,677                      | 65,000                        | 30,517                       | 260,000                       | 266,831                      | 65,000                        | 70,021                       |
| Singer Finance Lanka PLC      | 30,000                        | 3                            | 30,000                        | 3                            | 30,000                        | 9                            | 30,000                        | 9                            |
| Metecno Lanka (Pvt) Ltd       | -                             | -                            | -                             | -                            | 30,000                        | 12,500                       | 30,000                        | 12,500                       |
| E.B. Creasy PLC               | 150,000                       | 150,000                      | 150,000                       | 150,000                      | -                             | -                            | -                             | -                            |
|                               | 1,007,000                     | 904,867                      | 663,000                       | 633,490                      | 887,000                       | 891,652                      | 543,000                       | 534,814                      |

The Group has implemented a strategic working capital management plan across all sectors whereby the receivables are closely monitored and debtor's period is minimised. Careful vendor evaluations and procurement strategies ensure that correct prices are paid for inputs and maximum credit periods are negotiated to optimise the working capital cycle. The Group ensures its liquidity is maintained by investing in short, medium and long term financial instruments to support operational and other funding instruments.

The Management has taken steps to negotiate with its bankers and had requested for further working capital loans and re-scheduling of existing short-term borrowings, where bankers are considering such requests positively.

The management is closely monitoring its operational profitability and forecasted cashflows and acts proactively. The Group had made operating profits and positive operating cashflows subsequent to this financial year.

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

The Following are the remaining contractual maturity of financial liabilities at the reporting date. The amounts are gross and undiscounted and includes contractual interest payments.

|                                   | Carrying Value<br>Rs.'000 | On Demand<br>Rs.'000 | Less than 3 Months<br>Rs.'000 | 3-12 Months<br>Rs.'000 | 1-2 Years<br>Rs.'000 | Over2 Years<br>Rs.'000 | Total<br>Rs.'000 |
|-----------------------------------|---------------------------|----------------------|-------------------------------|------------------------|----------------------|------------------------|------------------|
| As at 31st March 2022             |                           |                      |                               |                        |                      |                        |                  |
| Interest Bearing Borrowings       | 966,645                   | 467,620              | 75,338                        | 399,892                | 21,290               | 4,250                  | 968,390          |
| Lease Liability                   | 13,700                    | -                    | 897                           | 2,780                  | 4,310                | 5,713                  | 20,425           |
| Bank Overdraft                    | 65,406                    | 65,406               | -                             | -                      | -                    | -                      | 65,406           |
| Trade Payable                     | 113,644                   | -                    | 113,644                       | -                      | -                    | -                      | 113,644          |
| Other Payables                    | 2,807                     | -                    | 2,807                         | -                      | -                    | -                      | 2,807            |
| Related Party Payables            | 3,150                     | 3,150                | -                             | -                      | -                    | -                      | 3,150            |
| As at 31 <sup>st</sup> March 2021 |                           |                      |                               |                        |                      |                        |                  |
| Interest Bearing Borrowings       | 1,012,848                 | 570,869              | 196,474                       | 222,908                | 22,008               | 31,540                 | 1,043,799        |
| Lease Liability                   | 17,206                    | 298                  | 1,218                         | 1,866                  | 5,196                | 12,119                 | 20,697           |
| Bank Overdraft                    | 53,200                    | 53,200               | -                             | -                      | -                    | -                      | 53,200           |
| Trade Payable                     | 188,881                   | -                    | 188,881                       | -                      | -                    | -                      | 188,881          |
| Other Payables                    | 5,979                     | -                    | 5,979                         | -                      | -                    | -                      | 5,979            |
| Related Party Payables            | 1,389                     | 1,389                | -                             | -                      | -                    | -                      | 1,389            |

### 31.7 Currency Risk

The Company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of Sri Lankan Rupee (LKR) against the US Dollar (USD). The Company's functional currency is the Sri Lankan Rupee (LKR) in which most of the transactions are Rupee denominated and all other currencies are considered foreign currencies for reporting purposes. The Company had taken measures to manage risk by having foreign currency trade receivables and foreign currency bank accounts balances to cover the exposure on foreign currency payables. Hence the overall objective of foreign exchange risk management is to reduce the short term negative impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results.

| As at 31 <sup>st</sup> March 2021 | Reporting date spot rate |               |
|-----------------------------------|--------------------------|---------------|
|                                   | 31-Mar-22                | 31-Mar-21     |
| <b>USD 1</b>                      | <b>298.99</b>            | <b>202.04</b> |

#### Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below in calculation of risk it's assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Group as at 31st March 2022. As at reporting date net liability in foreign currency was US\$ 123,753.

|                                    | Group                                  |                             |  |                             |
|------------------------------------|--|-----------------------------|--|-----------------------------|
|                                    | As at 31 <sup>st</sup> March 2022      |                             | As at 31 <sup>st</sup> March 2021      |                             |
|                                    | Effect on Profit Before Tax<br>Rs.'000 | Effect on Equity<br>Rs.'000 | Effect on Profit Before Tax<br>Rs.'000 | Effect on Equity<br>Rs.'000 |
| LKR Depreciated against USD by 15% | (5,579)                                | (5,579)                     | (2,106)                                | (2,106)                     |
| LKR appreciated against USD by 15% | 5,579                                  | 5,579                       | 2,106                                  | 2,106                       |

The Exchange rates has been deteriorated significantly during the year and resulting impact on exchange conversion was recognised in the profit or loss under the finance cost.

### 31.8 Interest rate risk

Interest rate risk is the risk that the fair value of the cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises on interest bearing financial instruments recognised in the Statement of Financial Position.

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 31.8 Interest rate risk Contd.

The interest rate risk of the Company and the Group arises from financial instruments which are exposed to variable or fixed rate interest rates. Variable interest rates expose the Company and the Group to cash flow due to the impact on the quantum of interest payable. Financial instruments with fixed interest rates are subject to variations in fair values due to market interest movements. The Group closely monitors market interest rate movements and implement appropriate strategies in order to minimise the interest rate risk associated with financial instruments with rates.

#### Profile

At the end of the reporting period the interest rate profile of the Group interest bearing financial instruments were as follows,

#### Interest rate sensitivity

| As at 31 <sup>st</sup> March                | Group           |                 | Company         |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2022<br>Rs.'000 | 2021<br>Rs.'000 | 2022<br>Rs.'000 | 2021<br>Rs.'000 |
| <b>Variable rate instruments</b>            |                 |                 |                 |                 |
| Financial Asset                             |                 |                 |                 |                 |
| - Cash at Bank                              | 35,565          | 27,473          | 31,848          | 19,722          |
| Financial liabilities                       |                 |                 |                 |                 |
| - Interest bearing borrowings               | 816,645         | 983,946         | 496,734         | 558,513         |
| - Bank Overdraft                            | 65,406          | 53,200          | 31,047          | 20,055          |
| - Interest bearing Related Party Borrowings | 150,000         | -               | 150,000         | -               |
|   | 1,032,051       | 1,037,146       | 677,781         | 578,568         |
| <b>Fixed rate instruments</b>               |                 |                 |                 |                 |
| - Interest bearing borrowings               | -               | 28,902          | -               | 28,902          |
| - Interest bearing Related Party Borrowings | -               | 30,000          | -               | 12,500          |
|   | -               | 58,902          | -               | 41,402          |

At the reporting date the interest rate sensitivity profile of the Group's financial instruments were as follows,

| Impact on Profit and Loss                           | As at 31 <sup>st</sup> March 2022 |                  | As at 31 <sup>st</sup> March 2021 |                  |
|---|-----------------------------------|------------------|-----------------------------------|------------------|
|   | Rupee Financial Liabilities       | Financial Assets | Rupee Financial Liabilities       | Financial Assets |
|   | Rs. 000                           | Rs. 000          | Rs. 000                           | Rs. 000          |
| Decrease of 800 basis points in rupee interest rate | (82,564)                          | (2,845)          | (10,371)                          | (74)             |
| Increase of 800 basis points in rupee interest rate | 82,564                            | 2,845            | 10,371                            | 74               |

Increase of policy rates and subsequent increase in treasury bills rates compelled the market interest rates to increase significantly. As a result the interest rate risk is on the rise for companies holding interest bearing financial instruments. The impact of rising interest rate risk did not materialise in the current financial year.

### 31.9 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

### 32 Comparative Information

Comparative information is reclassified wherever necessary to confirm with the current year's classification in order to provide better presentation.

### 33 Determination of fair values

This note explains the methodology for valuing our financial assets and liabilities, and provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

### 33.1 Valuation Methodologies of Financial Instruments Measured at Fair Value.

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

|   | Fair value hierarchy |                   |                   |                 |
|---|----------------------|-------------------|-------------------|-----------------|
|   | Level 1<br>Rs'000    | Level 2<br>Rs'000 | Level 3<br>Rs'000 | Total<br>Rs'000 |
| <b>31<sup>st</sup> March 2022</b>   |                      |                   |                   |                 |
| <b>Financial assets at fair value through other comprehensive income:</b> |                      |                   |                   |                 |
| Non-quoted Investments - Company*   | -                    | -                 | 25                | 25              |
| <b>Non Financial Assets - company</b>                                     |                      |                   |                   |                 |
| Land  | -                    | -                 | 231,900           | 231,900         |
| Building  | -                    | -                 | 237,927           | 237,927         |
| Plant & Machinery   | -                    | -                 | 194,676           | 194,676         |
| <b>Non Financial Assets - Subsidiary</b>                                  |                      |                   |                   |                 |
| Building  |                      |                   | 132,793           | 132,793         |
| Plant & Machinery   |                      |                   | 155,878           | 155,878         |
| <b>31<sup>st</sup> March 2021</b>   |                      |                   |                   |                 |
| <b>Available for sale financial assets:</b>                               |                      |                   |                   |                 |
| Non-quoted Investments  | -                    | -                 | -                 | -               |
| Non Financial Assets - company  |                      |                   |                   |                 |
| <b>Land</b>   |                      |                   |                   |                 |
| Building  | -                    | -                 | 208,710           | 208,710         |
| Plant & Machinery   | -                    | -                 | 194,676           | 194,676         |
| <b>Non Financial Assets - Subsidiary</b>                                  |                      |                   |                   |                 |
| Building  |                      |                   | 102,398           | 102,398         |
| Plant & Machinery   |                      |                   | 140,785           | 140,785         |

\*Non-quoted investments are measured at net asset basis. Unobservable inputs used in valuation are carrying value of assets and liabilities adjusted for market participant assumptions.

### 33.2 Fair values of Financial Assets and Liabilities not carried at fair value

Set out below is a comparison of the carrying amounts and fair values of the financial instruments of the Company which are not measured at fair value in the Financial Statements.

|                                | Group                  |                            |                        |                            | Company                |                            |                        |                            |
|--------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|
|                                | 2022                   |                            | 2021                   |                            | 2022                   |                            | 2021                   |                            |
|                                | Fair Value<br>Rs. '000 | Carrying Value<br>Rs. '000 | Fair Value<br>Rs. '000 | Carrying Value<br>Rs. '000 | Fair Value<br>Rs. '000 | Carrying Value<br>Rs. '000 | Fair Value<br>Rs. '000 | Carrying Value<br>Rs. '000 |
| <b>Financial Assets :</b>      |                        |                            |                        |                            |                        |                            |                        |                            |
| Trade & Other Receivables      | 79,840                 | 79,840                     | 296,683                | 296,683                    | 56,574                 | 56,574                     | 127,163                | 127,163                    |
| Related Party Receivables      | -                      | -                          | -                      | -                          | 197,886                | 197,886                    | 97,991                 | 97,991                     |
| Cash & Cash Equivalents        | 36,051                 | 36,051                     | 28,348                 | 28,348                     | 32,018                 | 32,018                     | 19,931                 | 19,931                     |
|                                | <b>115,891</b>         | <b>115,891</b>             | <b>325,031</b>         | <b>325,031</b>             | <b>286,478</b>         | <b>286,478</b>             | <b>245,085</b>         | <b>245,085</b>             |
| <b>Financial liabilities :</b> |                        |                            |                        |                            |                        |                            |                        |                            |
| Trade & Other Payables         | 88,176                 | 88,176                     | 178,976                | 178,976                    | 21,756                 | 21,756                     | 86,265                 | 86,265                     |
| Related Party Payables         | 3,150                  | 3,150                      | 1,389                  | 1,389                      | 3,150                  | 3,150                      | 1,389                  | 1,389                      |
| Interest Bearing Borrowings    | 966,645                | 966,645                    | 1,012,848              | 1,012,848                  | 646,734                | 646,734                    | 587,415                | 587,415                    |
| Lease Creditors                | 13,700                 | 13,700                     | 17,206                 | 17,206                     | -                      | -                          | -                      | -                          |
| Bank Overdraft                 | 65,406                 | 65,406                     | 53,200                 | 53,200                     | 31,047                 | 31,047                     | 20,055                 | 20,055                     |
|                                | <b>1,137,077</b>       | <b>1,137,077</b>           | <b>1,263,619</b>       | <b>1,263,619</b>           | <b>702,687</b>         | <b>702,687</b>             | <b>695,124</b>         | <b>695,124</b>             |

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

### 33.2.1 Other financial assets

The carrying amount of cash and bank balances approximate fair value due to the relatively short maturity of the financial instruments

For other receivables items the carrying value has been considered as the fair value due to the timing of the cash flows.

### 33.2.2 Financial liabilities

This nature of financial liabilities of carrying value has been considered as the fair value due to the timing of the cash due.

## 34 Going Concern

The Company and the Group have incurred a loss of Rs. 139.1 Mn (2021-Rs. 105.3 Mn) and 260.9 Mn (2021-Rs. 119 Mn) respectively during the year ended 31st March 2022 and recorded accumulated losses of Rs. 753 Mn (2021-Rs. 615.3 Mn) and Rs. 1,104 Mn (2021-Rs. 845 Mn) respectively as at March 31, 2022. As of that date, the Company's and Group's current liabilities exceeded its current assets by Rs. 509 Mn and 839 Mn respectively.

Number of new strategic initiatives focusing on improving the financial performance of the Company and Group were implemented during the year ended 31st March 2022 to improve the financial position of the Group which is evident through the significant increase in operational results of the Group and Company subsequent to the financial year. The management further envisages that with the continuation of implemented new strategic initiatives including five year strategic budget considering synergies being part of a Group, subsequent right issue, focusing on core businesses of the Company and the Group and implementation of new planned initiatives and expansion of operations of group will help to establish long term improved profitability in the business sectors in which the Group and the Company operates. The management is closely monitoring the profitability and cashflow forecasts and acts proactively to ensure that it can pay its debts as and when they fall due and payable.

Thus, the Board of Directors are of the view that the Group and the Company are able to continue as going concern in the foreseeable future and accordingly, the consolidated financial statements have been prepared on going concern basis.

## 35 Impact due to economic conditions - Interest rate, Inflation, Forex restrictions, Exchange parity increase, power cuts and fuel shortages and strategies implemented by the Group

In determining the basis of preparing the financial statements for the year ended 31st March 2022, based on available information, the management has assessed the prevailing uncertain and Volatile macro –economic environment and any residual implications of COVID -19 pandemic conditions in Sri Lanka and its impact on the Group companies and the appropriateness of the use of the going concern basis in the foreseeable future.

The Colombo Consumer Price Index (CCPI) and National Consumer Price Index (NCPI), which had been at 18.7% and 21.5% respective in March 2022 continued its steep upward trend to be at 39.1% and 45.3% in May 2022. The latest publication by Central Bank of Sri Lanka placed the CCPI at 54.6% in June 2022.

The exchange parity between Sri Lankan Rupee and other major currencies, pre-dominantly the US Dollar, also escalated from around LKR 290 to a USD in March 22 closing to reach some stability at around LKR 360 (middle spot rate) to a US Dollar by end June 2022. This journey of LKR depreciation which started from LKR 200 to a USD in October 2021 to current position, showcases the tightness of the availability of foreign exchange in the country. This initially affected the importing of raw materials for industries and has now culminated in virtually suspending the import of essentials like fuel, staple food items and pharmaceuticals. The fuel shortages increased the burden on industries through carriage inward and outward bottlenecks and also depriving factory working time due to lack of fuel for generators during government-imposed power cuts which ran to 10-12 hours per day at times.

However, In light of the ongoing economic crisis, the company has assessed its going concern and Group does not envisage a serious impact on the Group's business continuity and expects to manage the above challenges effectively.

## 36 Events After Reporting date

There have been no material events occurred after the reporting date that require adjustments or disclosure in the financial statements except below.

### RIGHTS ISSUE

The Company made a Rights Issue of 123,485,739 Ordinary Shares at a price of Rs. 4.50 per Share to the holders of the Issued Ordinary Shares of the Company as at the end of trading on 28th June 2022, in the proportion of Three (3) new Ordinary Shares for every One (1) existing issued Ordinary Share held in the Capital of the Company. The Issue closed on 25th July 2022. The total number of Shares subscribed for on the Rights Issue was 53,838,087 shares and the total consideration received was Rs. 242,271,391.50/-. The purpose of the Rights Issue was to raise funds amounting to Rs. 555,685,826/- for

## Notes to the Financial Statements

For the year ended 31<sup>st</sup> March 2022

Working Capital and Capital Requirements and the total proceeds received were utilized to settle working capital related liabilities relating to short term loans and creditors. The details on the utilization of proceeds is set out below.

| Objective Number | Objective as per circular      | Amount allocated as per circular in LKR | Proposed date of utilization as per circular   | Amount allocated upon receipt of proceeds in LKR (A) | As a % of total proceeds | Amount Utilized in LKR (B) | % of proceeds Utilized Against Allocation (B/A) | Clarification if not fully utilized including invested (eg. whether lent or related party)  |
|------------------|--------------------------------|---|--|--|--------------------------|----------------------------|---|---|
| 1                | Purchase/ import raw materials | 400,017,491.00                          | With in a period of 6 months upon the conclusion and finalization of the Rights Issue  | 242,271,391.50                                       | 60.5%                    | 202,009,145.60             | 83.3%   | The right issue balance proceeds will be utilised in next two month to source raw material. |
| 2                | Capital Requirements           | 155,668,334.50                          | With in a period of 18 months upon the conclusion and finalization of the Rights Issue | -  | -                        | -                          | -   |   |

Subsequent to the Rights Issue of shares the Company's Stated Capital amounted to Rs. 835,084,628/50 represented by 95,000,000 Ordinary Shares.

### VAT amendment

In accordance with the Gazette No 2282/26 enacted on 31st May 2022, Value Added Tax ("VAT") charged based on the Value Added Tax Act No 14 of 2002 as amended by Act No 6 of 2005, has been increased from 8% to 12% effective from 1st June 2022.

### 37 Board of Director's responsibility for financial reporting

The Board of Directors is responsible for preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Companies Act No 07 of 2007.

## REAL ESTATE PORTFOLIO

| Classification               | Name of the Company                 | Location    | Land Perches |           | No. of Buildings | Building in Sq.ft | Value (Rs'000) Cost/ Valuation |
|------------------------------|-------------------------------------|-------------|--------------|-----------|------------------|-------------------|--------------------------------|
|                              |                                     |             | Lease Hold   | Free Hold |                  |                   |                                |
| Property, Plant & Equipments | Acme Printing & Packaging PLC       | Piliyandala | -            | 463.8     | 4                | 70,449            | 469,827                        |
| Property, Plant & Equipments | Acme Packaging Solutions (Pvt) Ltd. | Pannala     | 478.7        | -         | 6                | 29,556            | 132,794                        |

## 5 YEAR SUMMARY

|  | Company   |           | Group       |           |           |           |           |
|--|-----------|-----------|-------------|-----------|-----------|-----------|-----------|
|  | 2022      | 2021      | 2022        | 2021      | 2020      | 2019      | 2018      |
| Year Ended 31 <sup>st</sup> March,               |           |           |             |           |           |           |           |
| <b>TRADING RESULTS (RS:'000)</b>                 |           |           |             |           |           |           |           |
| Revenue  | 779,512   | 1,127,700 | 948,083     | 1,408,301 | 1,189,150 | 1,245,902 | 1,222,549 |
| Profit/(loss) before taxation                    | (146,950) | (97,890)  | (279,588)   | (100,551) | (183,009) | (121,546) | (69,115)  |
| Taxation   | 7,825     | (7,484)   | 18,616      | (18,470)  | 3,618     | 9,914     | 573       |
| Profit/(loss) after taxation                     | (139,125) | (105,374) | (260,972)   | (119,021) | (179,391) | (111,632) | (68,542)  |
| <b>STATEMENT OF FINANCIAL POSITION (RS:'000)</b> |           |           |             |           |           |           |           |
| Property, plant and equipment                    | 672,522   | 639,748   | 1,002,508   | 892,866   | 862,637   | 956,682   | 922,750   |
| Right of Use Assets                              |           |           | 19,785      | 21,646    | 6,711     | -         | -         |
| Investments                                      | 25        | 25        | 25          | 25        | 25        | 25        | 25        |
| Investments in subsidiary                        | -         | 35,544    | -           | -         | -         | -         | -         |
| Net current assets                               | (509,412) | (217,583) | (839,277)   | (550,161) | (469,343) | (353,569) | (315,863) |
| Deferred liabilities and long term liabilities   | 21,554    | 30,347    | 58,854      | 95,778    | 129,640   | 153,909   | 98,311    |
| Stated capital                                   | 592,813   | 592,813   | 592,813     | 592,813   | 592,813   | 592,813   | 592,813   |
| Revaluation reserve                              | 509,729   | 459,522   | 645,705     | 530,616   | 408,288   | 437,974   | 421,724   |
| Revenue reserve                                  | (752,967) | (615,396) | (1,104,222) | (845,281) | (722,005) | (573,928) | (499,343) |
| <b>KEY INDICATORS</b>                            |           |           |             |           |           |           |           |
| Net Profit / (Loss) Margin(%)                    | (17.85)   | (9.34)    | (27.53)     | (8.45)    | (15.09)   | (8.96)    | (5.60)    |
| Return on average net assets(%)                  | (35.38)   | (24.08)   | (126.26)    | (42.72)   | (48.75)   | (22.97)   | (12.21)   |
| Interest cover (Times covered)                   | 1.48      | 0.47      | 1.01        | (0.25)    | 0.26      | (0.16)    | (0.50)    |
| Current ratio (Times)                            | 0.31      | 0.69      | 0.28        | 0.55      | 0.57      | 0.62      | 0.67      |
| Gearing Ratio (%)                                | 0.93      | 1.64      | 21.10       | 19.52     | 20.11     | 14.92     | 4.41      |
| Fixed assets to shareholders funds (%)           | 192.38    | 146.42    | 746.50      | 328.79    | 311.49    | 209.40    | 179.11    |
| Profit / (Diluted) Loss per Share (Rs.)*         | (3.38)    | (2.56)    | (6.34)      | 2.89      | (4.36)    | (2.71)    | (1.67)    |
| Net assets per share (Rs.)*                      | 8.49      | 10.62     | 3.26        | 6.76      | 6.78      | 11.10     | 12.52     |
| Price earnings ratio (Times)                     | -         | -         | -           | -         | -         | -         | -         |
| Dividend paid (Rs.'000)                          | -         | -         | -           | -         | -         | -         | -         |

\* Earnings and net assets per share is based on the number of weighted average shares in issue, at the end of the related year.

# SHAREHOLDERS' INFORMATION

## 1 General

|                 |                             |
|-----------------|-----------------------------|
| Stated Capital  | Rs. 592,813,237/-           |
| Class of shares | Ordinary Shares             |
| Voting rights   | One vote per ordinary share |

## 2 Stock Exchange Listing

The issued ordinary shares of Acme Printing and Packaging PLC are listed with Colombo Stock Exchange of Sri Lanka. The audited Income Statement and Statement of Comprehensive Income for the year ended March 31, 2021, and the audited Statement of Financial Position of the Company as at that date have been submitted to the Colombo Stock Exchange.

## 3 Distribution of Shareholdings as at 31<sup>st</sup> March 2022

| No. of Shares held   | Number of Shareholders as at 31 <sup>st</sup> March 2022 - 1,763 (31 <sup>st</sup> March 2021 - 1,796) |                   |              |                      |                   |              |                      |                   |               |
|----------------------|--|-------------------|--------------|----------------------|-------------------|--------------|----------------------|-------------------|---------------|
|                      | Resident   |                   |              | Non-resident         |                   |              | Total                |                   |               |
|                      | NO. OF SHARE-HOLDERS   | NO. OF SHARES     | %            | NO. OF SHARE-HOLDERS | NO. OF SHARES     | %            | NO. OF SHARE-HOLDERS | NO. OF SHARES     | %             |
| 1 to 1,000           | 1,281  | 286,894           | 0.69         | 13                   | 5,687             | 0.01         | 1,294                | 292,581           | 0.70          |
| 1,001 to 10,000      | 366  | 1,299,741         | 3.17         | 4                    | 9,224             | 0.02         | 370                  | 1,308,965         | 3.18          |
| 10,001 to 100,000    | 87   | 2,521,286         | 6.14         | 1                    | 31,999            | 0.08         | 88                   | 2,553,285         | 6.21          |
| 100,001 to 1,000,000 | 8  | 2,597,953         | 6.32         | -                    | -                 | 0.00         | 8                    | 2,597,953         | 6.31          |
| Over 1,000,000       | 2  | 23,354,298        | 56.80        | 1                    | 11,054,831        | 26.86        | 3                    | 34,409,129        | 83.60         |
| <b>Total</b>         | <b>1,744</b>   | <b>30,060,172</b> | <b>73.11</b> | <b>19</b>            | <b>11,101,741</b> | <b>26.97</b> | <b>1,763</b>         | <b>41,161,913</b> | <b>100.00</b> |

| Categories of Shareholders | 31 <sup>st</sup> March 2022 |                     | 31 <sup>st</sup> March 2021 |                     |
|----------------------------|-----------------------------|---------------------|-----------------------------|---------------------|
|                            | NO. OF SHARES               | NO. OF SHAREHOLDERS | NO. OF SHARES               | NO. OF SHAREHOLDERS |
| Individuals                | 5,275,433                   | 1,677               | 12,972,516                  | 1,707               |
| Institutions               | 35,886,480                  | 86                  | 28,189,397                  | 89                  |
| <b>Total</b>               | <b>41,161,913</b>           | <b>1,763</b>        | <b>41,161,913</b>           | <b>1,796</b>        |

## 4 Share Valuation

The Market value of ACME Printing and Packaging PLC, (Last traded price of an ordinary share) as of March 31<sup>st</sup>, 2021 was Rs. 6.50 Per share. The highest and the lowest values recorded for the year ended March 31<sup>st</sup>, 2021 were Rs. 6.90 and Rs. 2.30 Respectively.

## 5 Public Shareholding

Public shareholding as at 31<sup>st</sup> March 2022 - 14.40% comprising of 1,753 shareholders

## 6 Float adjusted market capitalization

Float adjusted market capitalization as at 31<sup>st</sup> March 2022 was Rs. 65,182,359/-

The Company is not comply with the Listing Rules 7.13.1 (a) under option 5 (Less than Rs.2.5 Bn Float Adjusted Market Capitalization which requires 20% minimum Public Holding & minimum 500 public shareholders).

## SHAREHOLDERS' INFORMATION

| TWENTY MAJOR SHAREHOLDERS AS AT |  | 31 <sup>ST</sup> MARCH 2022 |               | 31 <sup>ST</sup> MARCH 2021 |               |
|---------------------------------|--|-----------------------------|---------------|-----------------------------|---------------|
| Name                            |  | Number of                   | Percentage    | Number of                   | Percentage    |
|                                 |  | Shares                      |               | Shares                      |               |
| 1                               | Lankem Ceylon PLC  | 15,154,298                  | 36.82         | -                           | -             |
| 2                               | Mandatory offer by Lankem Ceylon PLC to purchase all of the remaining ordinary shares of Acme ** | 11,054,831                  | 26.86         | -                           | -             |
| 3                               | Amana Bank PLC / E.B. Creasy & Company PLC   | 8,200,000                   | 19.92         | -                           | -             |
| 4                               | Mr.W.D.N.H.Perera  | 910,000                     | 2.21          | -                           | -             |
| 5                               | Union Commodities (Pvt) Ltd.   | 584,754                     | 1.42          | -                           | -             |
| 6                               | Commercial Bank of Ceylon PLC / S.A.Gulamhusein  | 219,229                     | 0.53          | 219,226                     | 0.53          |
| 7                               | Merchant Bank of Sri Lanka & Finance PLC / R.M. Thilakarathna                                    | 203,377                     | 0.49          | -                           | -             |
| 8                               | Mr. S.D. Divakarage  | 196,359                     | 0.48          | -                           | -             |
| 9                               | Mr. C. N. Pakinathan   | 180,083                     | 0.44          | 232,861                     | 0.57          |
| 10                              | Mr. D.P. Navaratnam  | 175,550                     | 0.43          | -                           | -             |
| 11                              | Mr. M.H.A. Kamil   | 126,804                     | 0.31          | -                           | -             |
| 12                              | Mr. S.D.R. Arudpragasam  | 111,628                     | 0.27          | 111,628                     | 0.27          |
| 13                              | Hatton National Bank PLC / Mr. S.D.R. Arudpragasam   | 100,000                     | 0.24          | -                           | -             |
| 14                              | Dr. H.S.D. Soysa / Joint holder: Mrs. G. Soysa   | 98,150                      | 0.24          | -                           | -             |
| 15                              | Mr. E.D.K. Weerasuriya // Joint holder: Mr. S. Weerasuriya                                       | 97,242                      | 0.24          | -                           | -             |
| 16                              | Mr. A.M. Irfan   | 95,436                      | 0.23          | -                           | -             |
| 17                              | Mr. K.M.S.M. Razeek / Joint holders: MR. K.S.M. Rajubdeen , MR. S.M.R. Mohamed                   | 80,000                      | 0.19          | -                           | -             |
| 18                              | Mr. M.A.U. Gunatilake  | 65,000                      | 0.16          | -                           | -             |
| 19                              | Mr. C.S. Kariyawasan   | 63,270                      | 0.15          | -                           | -             |
| 20                              | Mr. S.P. Sedara  | 62,000                      | 0.15          | -                           | -             |
| 21                              | Dr. U.G.L. Wimalasiri  | 56,888                      | 0.14          | -                           | -             |
| 22                              | T.G. Somaratne   | 52,000                      | 0.13          | -                           | -             |
| 23                              | Mr. K.M.S.M. Razeek  | 48,102                      | 0.12          | -                           | -             |
| 24                              | Hatton National Bank PLC / Ravindra Erle Rambukwelle   | 47,000                      | 0.11          | -                           | -             |
| 25                              | Mrs. D.A.S.D. Samaratunge  | 45,340                      | 0.11          | -                           | -             |
| <b>SUB TOTAL</b>                |  | <b>38,027,341</b>           | <b>92.38</b>  | <b>563,715</b>              | <b>1.37</b>   |
| <b>OTHERS</b>                   |  | <b>3,134,572</b>            | <b>7.62</b>   | <b>40,598,198</b>           | <b>98.63</b>  |
| <b>ISSUED CAPITAL</b>           |  | <b>41,161,913</b>           | <b>100.00</b> | <b>41,161,913</b>           | <b>100.00</b> |



## FORM OF PROXY

I.....(NIC No.....) of.....being  
a member of the above Company, hereby appoint: Mr/Mrs/Miss ..... (NIC No.....)  
of..... as my proxy to represent me and failing him

|   |                           |
|---|---------------------------|
| Mr. Ariyawansa Hettiarachchy                  | of Colombo or failing him |
| Dr. Jayanta Mootatamby Swaminathan            | of Colombo or failing him |
| Mr. Ranjeevan Seevaratnam                     | of Colombo or failing him |
| Mr. Anushman Rajaratnam                       | of Colombo or failing him |
| Mr. Peter Suren Goonewardene                  | of Colombo or failing him |
| Mr. Parakrama Maithri Asoka Sirimane          | of Colombo or failing him |
| Mr. Gotabaya Kiri Bandara Dasanayaka          | of Colombo or failing him |
| Mr. Sri Dhaman Rajendram Arudpragasam         | of Colombo or failing him |
| Mr. Anthony Crossette Selvanayagam Jayaranjan | of Colombo                |

to represent me and vote on my behalf at the Virtual Annual General Meeting of the Company to be held on 26<sup>th</sup> September 2022 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting and to VOTE as indicated below:

|  | FOR                      | AGAINST                  |
|--|--------------------------|--------------------------|
| 1. To receive and consider the Audited Financial Statements for the year ended 31st March 2022 together with the Annual Report of the Board of Directors and of the Auditors thereon | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect as a Director Mr. A. Rajaratnam, who retires in terms of Article No.91 of the Articles of Association as recommended by the Directors.                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect as a Director Mr. P.S. Goonewardene, who retires in terms of Article 91 of the Articles of Association as recommended by the Directors                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect as a Director Mr. P.M.A. Sirimane, who retires in terms of Article 91 of the Articles of Association as recommended by the Directors                                  | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect as a Director Mr. G.K.B. Dasanayaka, who retires in terms of Article 91 of the Articles of Association as recommended by the Directors                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To re-appoint Dr. J.M. Swaminathan, who is over 70 years of age as a Director of the Company, by passing the ordinary resolution set out in the Notice of Meeting.                | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To re-appoint Mr. R. Seevaratnam, who is over 70 years of age as a Director of the Company, by passing the ordinary resolution set out in the Notice of Meeting.                  | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. To re-appoint Mr. A. Hettiarachchy, who is over 70 years of age as a Director of the Company, by passing the ordinary resolution set out in the Notice of Meeting                 | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To re-appoint Mr. S.D.R. Arudpragasam, who is over 70 years of age as a Director of the Company, by passing the ordinary resolution set out in the Notice of Meeting.             | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. To re-appoint Mr. A.C.S. Jayaranjan, who is over 70 years of age as a Director of the Company, by passing the ordinary resolution resolution set out in the Notice of Meeting.   | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. To authorise the Board of Directors to determine the Remuneration of the Auditors, Messrs KPMG, who are deemed to have been re-appointed as Auditors.                            | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. To authorise the Board of Directors to determine contributions to charities.   | <input type="checkbox"/> | <input type="checkbox"/> |

Signed this ..... day of .....Two Thousand and Twenty Two.

Signature: .....

\* Please delete the inappropriate words.

**Note:**

1. Instructions for completion of Form of Proxy are given overleaf.
2. Every alternation or addition to the Form of Proxy must be fully authenticated by the full signature of the Shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
3. A proxy need not be a member of the Company.

### INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, and your instructions as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given or if there is any doubt as to how the Proxy should vote by reason of the manner in which the instructions are carried out, the proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 98, Sri Sangaraja Mawatha, Colombo 10, not less than 48 hours before the time appointed for holding the meeting.
4. If the Form of Proxy is signed by an attorney, the original power of attorney should accompany the completed form of proxy for registration, if such power of attorney has not already been registered with the Company.

**Note:**

If the shareholder is a Company or body corporate, Section 138 of the Companies Act No.7 of 2007 applies to corporate shareholders of Acme Printing and Packaging PLC. Section 138 provides for representation of Companies at meetings of other Companies. A Corporation, whether a Company within the meaning of this Act or not, may, where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company. A person authorised as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represents as that Corporation could exercise if it were an individual shareholder of that other Company.

ACME Printing & Packaging PLC

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[www.acmelk.com](http://www.acmelk.com)