



Sharing gives great satisfaction



EX PACK Your carton
Your way

ANNUAL REPORT
YEAR ENDED 31 MARCH 2022



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Sharing gives great satisfaction

Our success story over the last two decades has been endorsed by our commitment to share our values with our stakeholders.

Despite challenging and unprecedented years, we have continued consistently maintaining our shared value creation strategy which has resulted in becoming one of the leading corrugated cartons manufacturers in Sri Lanka.

Indeed, in recent years

Creating Shared Value

Pursuing financial success in a way that also yields societal benefits has become an imperative for corporations.

We serve a diverse constitution of groups and individuals; from our valued customers and communities to our shareholders, reliable suppliers, business strategic partners and loyal employees, where our sharing strategy impacts many different lives in many different ways.

We believe our shared value approach connects company success with social progress.

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VISION | MISSION | VALUES



Vision

To be the most preferred Corrugated Cartons supplier in Sri Lanka



Mission

To lead the way in Corrugated Cartons Manufacturing and add value to the stakeholders through operational excellence



Values

To conduct ethical business caring to all stakeholders of the business.

Provide equal opportunity to employees.

Take due diligence and care for the environment.

Exercise social compliance in all our activities.

සේවය කරන ආයතනය
“මිෂන්” වන්නේ,
අප පිටත් වන නිවස හා සමානව
දැනෙන හැඟෙන නිසාවය

පිස්සලක් පවුල වෙමු

a home away from home
with an integrated value system
similar to that of a
Family

நாம் பணியாற்றும் நிறுவனம்
“உன்னதமான
ஏனெனில் அது நாம் வாழுகின்ற வீட்டுக்கு சமமான
இருப்பதை உணர முடிவதால்

நாம் எக்ஸ்பெக் குடும்பம்



sharing Our Story



ABOUT US

Who We Are

Ex-pack Corrugated Cartons PLC initially started its operations as the profit center of Expo-Lanka Limited in 1998 and was incorporated as a separate legal entity fully owned by Aberdeen Holdings Pvt. Ltd in 2002. The Company specializes in the customized manufacture of printed corrugated cartons of the highest quality, tailor-made to an endless range of specifications. Over the years Ex-pack has established itself as the leading corrugated cartons manufacturer in Sri Lanka by providing end-to-end services whilst maintaining impeccable service quality. Apart from the traditional manufacturing of Corrugated Cartons, the company has ventured into an entirely new range of innovative storage solutions covering the garment industry as well as paper-based environmental and eco-friendly warehousing accessories. Our current customer portfolio includes a vast array of businesses ranging from FMCG, pharmaceuticals, food manufacturers, tea exporters, apparel manufacturers, fruits/vegetable exporters, consumer durables, and seafood exporters.

Our direct export exposure to the Middle East, South Asian, and African countries has led to a firm portfolio of consistent volumes coming from established players in each of the markets. While the robust growth trajectory seen over FY16-21 clearly indicates growth in this segment, it also provides a powerful currency hedge (albeit partial) against input costs, mostly paper. We import 60% of our paper requirement and possessing a currency hedge helps negate this risk.

Our team works closely with its customers to determine their packaging needs from conception to design and prototyping, to high-volume production. On-time delivery is a key selling point that is made possible through comprehensive computerized manufacturing and Stock Management Systems that are linked to the Company's extensive storage facilities.

Product distribution is another key area that is executed through our own fleet of vehicles possessing complete control in transit, always assuring prompt delivery throughout Sri Lanka.

As we are an ISO 9001-2015 certified establishment, Quality and Customer Satisfaction optimize the drive for operational excellence. Furthermore, as a responsible manufacturer, we have adopted an environmentally friendly manufacturing process and have taken steps to identify and control their impact on the environment and continuously improve this process. Similarly, we have been awarded the ISO 14001-2015 Environment Management System Certification by SGS Lanka (Pvt) Ltd for executing an environmental management approach that controls environmental impacts. Furthermore, we continued to provide progressive training for our staff members to enhance their capabilities which resulted to sustain them and their contribution towards continuous organizational success throughout the past years. We have been recognized as one of the Best Workplaces for all in Sri Lanka for four consecutive years, 2018, 2019, 2020, and 2021.

Being one of the leading corrugated packaging solutions providers in Sri Lanka catering to diverse market segments, Expack Corrugated Cartons PLC is striving to preserve its present market position and consolidate on it in this present challenging market circumstances. It's no secret that with the prevailing economic and political outlook in Sri Lanka and volatile macro-environmental situation while everyone is finding it difficult to operate, Expack too encountering certain challenges. Nevertheless, with its impressive performances in previous years, the current business position is sustained and making every effort to be resilient with proposed expansion being kept on hold temporary. In the meantime, all necessary basic infrastructures will be ready to commence the project when the current status quo becomes normal soon.

We have planned to expand our current production capacity from 2500 Mts to 4500 Mts with a new proposed expansion plan seeking growing market demand and possible strategic overseas markets and destinations. Already the suitable plot of land has been finalized by now.

Ex-pack in its solid and robust business strategy, as it has been successful during the last decade being one of the leading corrugated manufacturers and marketers in Sri Lanka has recorded constant growth and will execute its forward marching strategy to become a preferred and recognized corrugated packaging players in South Asia.

With an already prevailing and preserved high-performance work culture and effectively motivated skillful workforce blended with state-of-the-art packaging technology the renewed vision, mission, and corporate objectives of Ex-pack Corrugated Cartons PLC look quite possible despite market challenges and fierce competition.

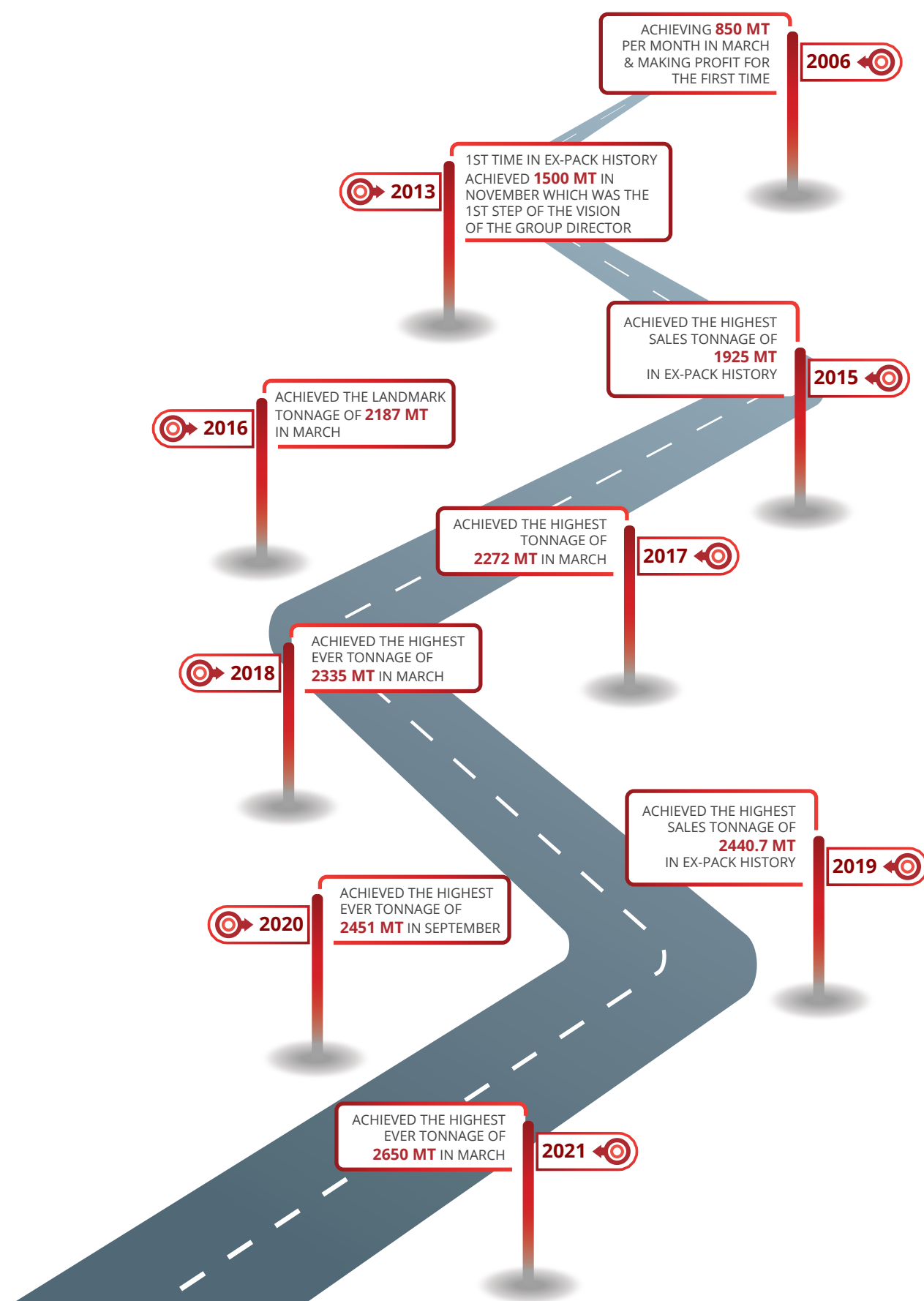
Strategic business partnerships are formed which are long term, where with exceptional customer service long-term commercial contracts are signed and assured with leading entities which include local giants and regional and global multinationals (MNCs).

Aberdeen Holding (Pvt) Limited is the holding company of Ex-pack which has a controlling interest of 75% whereas Neptune Papers (Pvt) Limited is a wholly owned subsidiary of Ex-pack Corrugated PLC. Neptune Papers (Pvt) Ltd is one of the leading companies in the Recycling and Waste Management sector of Sri Lanka and an award-winning, innovative company with time-proven success for more than two decades in the industry.




STRATEGIC MILESTONES

1998	■ Operation commenced as a Profit Center of Expolanka Ltd.
2002	■ Incorporated as a Legal entity.
2003	■ Installation of the First Fully Automated Corrugated Board Plant.
2005	■ Installation of 2 Color Flexo Printer and Achieving of 500 Mt.
2006	■ Received ISO 9000 Quality Management System.
2007	■ Re Locating at current facility with the new Corrugated Plant with a total investment of LKR 250 Mn.
2008	■ Mr. Sattar Kassim takes over Ex-pack Operation and appoints New Management Team ■ Winning of NCE Gold Award.
2009	■ Winner of NCE Export Silver Award.
2010	■ Consolidation of 3rd Position in the market. ■ Re structuring Capital with an investment of LKR 1 Billion.
2011	■ NCE Export Award Gold Award Winner for Most Outstanding Service Providers to Exporters Large Category. ■ Awarded Silver at the NBEA award ceremony.
2012	■ CNCI "Top 10 Award" Winner – Category Extra Large.
2013	■ Ex-pack was nominated as the best corrugated Factory in Sri Lanka by PUM Netherlands Murshid Ahamed & Jumardeen Darwis were sent for further training in Netherlands.
2015	■ Installation of the state of the Art 3 Color Flexo inline printer.
2016	■ Lanka Star "Innovating Packaging" award by Sri Lanka Institute of Packaging - SLIP.
2017	■ Lanka Star "Innovating Packaging" award by Sri Lanka Institute of Packaging – SLIP. ■ Winning of Sri Lanka CSR Awards - 2017.
2018	■ Ex-Pack Recognized as One of "Top 10" Great Place to Work Sri Lanka Company. ■ Lanka Star "Innovating Packaging" award by Sri Lanka Institute of Packaging - SLIP.
2019	■ Recognized a Great Place to Work - Sri Lanka for the 2nd Consecutive Year. ■ Recognized as Best Workplace in Asia -18th Position in the medium Category.
2020	■ Recognized as Great Place to Work - Sri Lanka for the 3 rd Consecutive Year. ■ Recognized as Best Workplace in Asia -16 th Position for the 2 nd Consecutive Year.
2021	■ Recognized as Great Place to Work - Sri Lanka for the 4 th Consecutive Year. ■ Recognized as Best Workplace in Asia for the 3 rd Consecutive Year.
2022	■ Successful IPO on October 2022 Setting a record of over subscription by 11 times with first day trading share price reaching 2.5 times of the offer price.

OPERATIONAL MILESTONES



PRODUCT PORTFOLIO

TYPE OF SERVICE	SERVICES PROVIDED
<p data-bbox="226 324 513 353">Regular Slotted Cartons</p> 	<p data-bbox="1107 371 1417 698">Regular slotted carton is the most common box style with flaps that meet in the centre both top and bottom. This carton is suitable for packaging any type of product from FMCG to horticultural to industrial products.</p>
<p data-bbox="226 940 392 969">Die Cut Boxes</p> 	<p data-bbox="1107 981 1414 1308">The die cut carton allows for intricate design and shape to protect and promote products in a variety of ways. These cartons are used for packaging of food, vegetables, as well as for livestock and can withstand extreme temperatures.</p> <p data-bbox="1107 1352 1404 1456">Die cut cartons can be plain or printed and with a range of print options.</p>
<p data-bbox="226 1556 456 1585">Value Added Boxes</p> 	<p data-bbox="1107 1597 1417 1881">Ex-pack's state-of-the-art laminating process enables them to provide value adding services relating to branding thereby allowing Ex-pack to fulfil customer requirements for direct shelf storage of finished products.</p>

Other Packaging



As a part of the “Go Green” concept Ex-pack has developed several products such as wardrobe cartons, pallets, tea chest cartons, tuna cartons as ballot boxes. Exp-pack’s R & D division is constantly engaged in developing innovative products using recycled material.

GROUP FINANCIAL HIGHLIGHTS

2021/22

As at 31 March	ALL FIGURES IN (‘000) Except Stated Otherwise		2022	2021	YOY
Group			Rs.	Rs.	%
Financial Performance					
Revenue			8,532,048	4,787,006	78%
Gross Profit			1,305,335	928,686	41%
EBITA			908,145	465,554	95%
Profit before Tax			712,163	217,877	227%
Net Profit for the Year			619,090	205,208	202%
Total Comprehensive Income			614,556	292,811	110%
Financial Position					
Non - Current Assets			1,992,882	1,740,065	15%
Total Current Assets			4,579,033	2,755,536	66%
Total Assets			6,571,915	4,495,601	46%
Stated Capital			1,200,000	500,000	133%
Total Equity			1,900,581	783,440	143%
Total Non - Current Liabilities			259,322	231,771	12%
Total Current Liabilities			4,412,012	3,480,390	27%
Total Liabilities			4,671,334	3,712,161	26%
Total Equity and Liabilities			6,571,915	4,495,601	46%
Cashflow					
Net Cash Flow from/(used in) Operating Activities			207,461	376,774	45%
Net Cash Flow from/(used in) Investing Activities			(241,614)	(551,933)	56%
Net Cash Flow from / (used in) Financial Activities			923,723	141,667	552%
Cash and Cash Flow Equivalents at the end of the year			963,181	73,611	1208%
KEY INDICATORS					
Profitability Ratio					
Revenue Growth Rate (%)			78%	4%	1829%
GP Margin (%)			15%	19%	21%
NP Margin			7%	4%	69%
ROA (%)			14%	10%	33%
ROE (%)			33%	26%	24%
ROCE (%)			18%	13%	35%
Liquidity Ratio					
Current Ratio (Times)			1.04	0.79	32%
Debt/ Equity Ratio (%)			169%	351%	-52%
Investor Ratio					
Earnings Per Share (Rs)			2.17	0.82	164%
Net Asset Value Per Share (Rs)			5.70	3.13	82%
Market Price Per Share (Rs)			9.90	N/A	
P/E ratio			5	N/A	
Float Adjusted Market Capitalization			825,000	N/A	

1. INTRODUCTION TO THE ANNUAL REPORT

We are pleased to present to the shareholders the Audited Financials and the Annual Report of your company, Ex-pack Corrugated Cartons PLC for the financial year ended 31st March 2022. The Annual Report of Ex-pack Corrugated Cartons PLC covers 12 month period from 1st April 2021 to 31st March 2022 and is consistent with our usual annual reporting cycle for financial and sustainability reporting. The Annual Report of the company comprising the Audited Financial Statements of the Group and the company for the year ended 31st March 2022, and the Independent Auditors' Report on the Financial Statements conforming to all applicable statutory requirements.

According to sections 150 (1), 151, 152, and 153 (1) & (2) of the Companies Act No. 07 of 2007 and amendments thereto, the Board of Directors are responsible for preparing the Financial Statements of the Group and the company, which reflect a true and fair view of the financial position and performance of the Group and the company. In this respect, the Board of Directors wishes to confirm that the Financial Statements, namely, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and Significant Accounting Policies and Notes to the Financial Statements thereto appearing on pages 89 to 133 have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 07 of 2007 and amendments thereto.

This report also provides the information and disclosures as required by the Companies Act No. 07 of 2007 and amendments thereto, the Listing Rules of the Colombo Stock Exchange (CSE) including the Rules pertaining to Related Party Transactions as required by Section 9.3.2 (c) and (d) thereof and the recommended best practice.

The Board of Directors has approved and authorised the issue of the Financial Statements of the Group and the company for the year ended 31st March 2022, including comparatives of the financial year, ended 31st March 2021, in accordance with the resolution of the Directors on 1st of August 2022. Within the statutory time limits, the appropriate number of copies of the Annual Report will be submitted to the CSE and soft copies of the same will be hosted on the company website, www.expack.lk

Apart from the financial information, the report highlights the nonfinancial information that provides a holistic, integrated discussion of the company's performance, operations, and strategic directions.

We have taken every effort to provide credible information with the aid of visual elements such as figures, graphs, and tables in a consistent manner facilitating clarity and comparability as well as every possible effort to present a balanced review of relevant material information for the reporting period.

Having carefully considered the material of the matter to the company, group, and all the stakeholders in preparing this Report first time, the Board acknowledges that reasonable care has been exercised

in preparing and presenting this Integrated Report and Financial Statements while preserving its integrity.

Signed in accordance with a resolution of the Directors.

[SIGNED]

Sattar Kassim
Chairman

[SIGNED]

Zulficar Ghouse
Managing Director

[SIGNED]

Shafik Kassim
Director

[SIGNED]

Abdullah Kassim
Director

[SIGNED]

Thulci Aluwihare
Director

[SIGNED]

Dinesh Dharmadasa
Director

[SIGNED]

Shehara De Silva
Director

[SIGNED]

Company Secretary
Colombo
30 August 2022

Your comments or questions on this Report are welcome and we invite you to direct them to:

Chief Financial Officer
Ex-Pack Corrugated Cartons PLC
No 11A, Milepost Avenue, Colombo-03.
Tel : +94 11 2689618
Fax : +94 11 2689618

2. OPERATIONAL HIGHLIGHTS

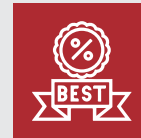
Operational highlights during the FYE 31st March 2022.



25 Years
of Operations



Best Work Places
for all in Sri Lanka from
2018 - 2021.



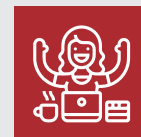
**Best in Small and
Medium Sized**
Category Award 2021



1,651 Hrs
of Staff Training



264
No-of Staff



92%
Employee Satisfaction



2,740 MT
of Production Capacity
Per Month



250+
No of Clients



Geographic Coverage
Sri Lanka, Middle East,
South Asia, and Africa



ISO 9001-2015
Certified Establishment



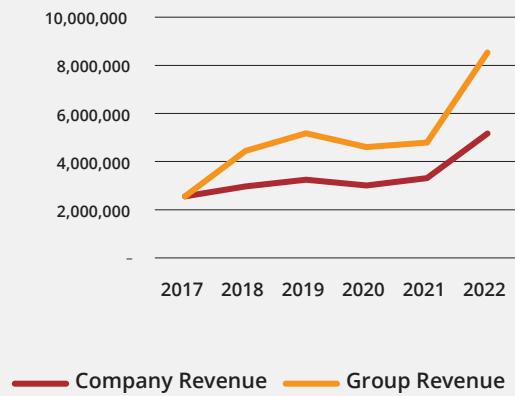
ISO 14001-2015
Environment Management
System



Complied ✓
Corporate Governance

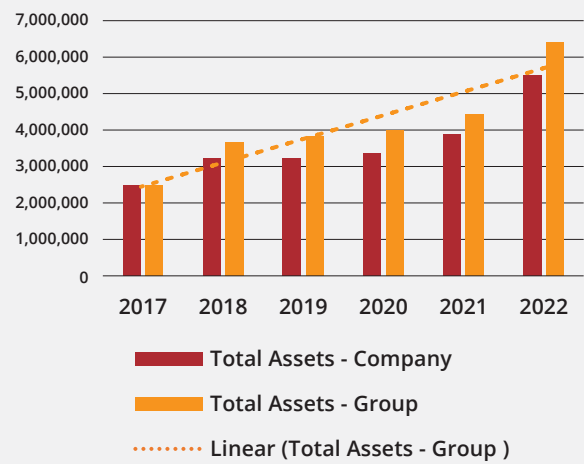
Revenue

ALL FIGURES IN ('000)



Total Asset Base

ALL FIGURES IN ('000)



Prime Location



145,000 sq.ft
Factory area



38,000 sq.ft
Extra storage area



20,000 sq.ft
Office area



sharing

Our Success

3. CHAIRMAN'S MESSAGE



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Ex-pack Corrugated Cartons PLC for the year ended 31st March 2022.

The Group demonstrated agility and resilience amidst unprecedented challenges and volatility experienced in the packaging industry. This was accomplished while fulfilling our commitments to internal and external stakeholders.

We celebrated our silver Jubilee on the 19th of March 2022 and are delighted that we were able to embark on our corporate journey as a Public Quoted Limited company entering the capital market with one of the most successful Main Board Listings during the financial year ended 31st March 2022.

During the year 2021/22, most businesses were forced to pursue "adaptation" strategies due to the prevailing challenges. However, our proactive operational plan of action along with the operational excellence we have inculcated into the system ensured progress in both financial and non-financial elements in the group.

The Sri Lankan business environment performed below expectations in 2021 mainly due to the economic uncertainty caused by the prevalent foreign exchange shortfalls. We managed to hedge our foreign currency exposure with our export revenue to a great extent. Amid this time of turmoil and unpredictability, we improved the financial well-being of our customers and communities by supporting them in whatever way we could afford.

Our group revenue was reported at LKR 8.5Bn with a 78% YoY growth during the financial year ended 31st March 2022 compared to LKR 4.8Bn in 2021. As a result of efficiency in operational and financial management, the Group's profit after tax increased by 202% YoY to LKR. 619Mn. for the year compared with LKR. 205 Mn. in 2021.

Improving our production efficiencies, prudent financial management, implementing innovative production methodologies, and employing cost control measures, remain the primary methods we have implemented to overcome these challenging times.

During the year under review, we also made great progress in the execution of our Strategy Road Map, and have become a successful public quoted company in Sri Lanka in 2021. Further, we marked a significant operational commitment within the Group to tighten and improve internal processes, internal controls, and reporting systems in order to enhance our operational efficiencies. The Company will pursue sustainable business operations and invest in equipment to improve efficient warehousing operations optimize costs and increase core efficiencies. We believe these measures will strengthen our group further and will enable us to successfully overcome the challenges we will encounter in the future.

Established as a human-centric organization, we were also named in the Best Workplaces in Sri Lanka for the fourth time.

We believe this recognition stands as a testimony to the company's intention and commitment to creating a conducive workplace for everyone, irrespective of one's ethnicity, religion, age, gender, attitudes, and beliefs. We are dedicated in our intention to go beyond expected norms and practices to boost empowerment which drives organizational growth and exceeds expectations and results.

Drawing on our experience of 25 years, we look forward to 2022 as we continue to deliver value to our shareholders and outstanding services to our customers. We remain confident that the corporate strategies that we are pursuing will result in sustainable returns to our stakeholders in the medium to long term. We believe that our continuous strategy review process will strengthen value creation while being agile and adapting to the changing dynamics of the external environment. This in turn will help us reach our goal of being the most preferred Corrugated Carton supplier in Sri Lanka.

I take this opportunity to thank the Board of Directors for their continued support and their leadership, and guidance, as well as for directing the management of the Group through challenging times. I would also like to thank all our employees and the core management team who remained dedicated to the Group. It is their commitment and persistence that continues to ensure growth in a demanding operating environment. This is the single greatest asset of the company and the strength behind our success.

Finally, I thank our business partners, shareholders, regulators, and all other stakeholders for the continued trust, support, and loyalty they have placed in us.

[SIGNED]
Sattar Kassim
Chairman

4. MANAGING DIRECTOR'S MESSAGE



In the midst of a challenging environment filled with turbulence and uncertainty, we are proud to report that your Company emerged successful continuing progress along an exceptional journey of resilience and growth in 2022. Your contribution enabled us to display a truly spectacular performance during the year under review.

Resilient Financial Performance

Through the commitment of our staff members and directions given by the Board of directors we are delighted to record LKR. 8.5 Bn revenue and LKR 619 Mn net profit, an impressive revenue increase of 78% for the financial year 2021/22.

The Group's commitment to disciplined cost management is evident in the significant decrease in total administrative expenses which were curtailed to a 37% reduction in line with the plans agreed upon at the beginning of the year.

This enabled the Group to record 84% growth in Operating Profits which increased from LKR.461 Mn to LKR.849 Mn.

Lower interest rates, re-scheduling of loans, and strong cashflows supported a sharp decrease in finance costs by 21% from LKR 248 Mn in FY 2020/21 to LKR.196 Mn in FY 2021/22, strengthening pre-tax earnings. Accordingly, Profit before tax increased by 227% to LKR 712 Mn reflecting the combined impact of productivity, disciplined cost management, and a prudent financial risk management approach given the elevated uncertainties. The profit after tax for the Group increased by 202% to LKR.619 Mn in FY 2021/22 compared to LKR.205 Mn in FY 2020/21.

Financial Health of the Company

The Group's balance sheet expanded as total net assets increased by 46% to LKR.6.57 Bn as revenue reserves strengthened during the year. A strong cashflows position enabled the Group to reduce debt and strengthen the Group's financial position as debt-equity improved from 351% in the previous year to 169% in FY 2021/22. The composition of the balance sheet also reflects the prudent approach to managing working capital and liquidity reinforced during the year.

Inventory levels increased reflecting an increase in the cost of raw materials and finished goods. Trade receivables increased by 43% in line with the revenue increase and this is monitored closely by our finance team. Cash and short-term deposits have strengthened the liquidity of the group as well as the company which is paramount under the circumstances.

Value To Shareholders

Ex-Pack entered into the stock market on 10th November 2021 recording more than 11 times oversubscription which evident that enormous market acceptability. The share price of Ex-pack PLC was traded at LKR 25.40 per share from the offer price of LKR.8.40 providing shareholders a return of

202% on the 1st day of trading. Post IPO we distributed two interim dividends of LKR 0.20 per share in November 2021 and LKR.0.20 per share in March 2022 during the financial year ended 31st March 2022. Subsequently, we distributed dividends of LKR 0.40 per share in June 2022.

The Group will follow its dividend policy which corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to ensure business continuity, particularly given the prevailing challenging circumstances.

Delivering Operational Excellence

Whilst achieving efficient and effective operation and operational excellence, we also work on standardization and digitalization of processes in most areas of the Company's business. We undertake periodic operational strategy reviews and set directions to ensure we maintain our highest quality and standards.

Employee Empowerment

At Ex-pack, we believe firmly that it is not just what you do that matters; it is how you do it.

We have been recognized as one of the Best Workplaces for all in Sri Lanka for four consecutive years, 2018, 2019, 2020, and 2021. The awards are a prestigious benchmark amongst the business community in recognizing the company as the front runner. It is delighted to announce that we have been awarded ISO 9001-2015, ISO 14001-2015, WRAP Certification, Forest Certification, and awarded with Great Place to Work 2022 and listed among the 10 best workplaces in the manufacturing and production industry in Sri Lanka.

The integrated value creation process of the Group has been built around our loyal and committed employees,

and I wish to acknowledge, with gratitude, the contribution and commitment of our employees during a year that witnessed many unprecedented challenges. I wish to sincerely thank the many who are serving in our frontlines who made this success a reality. During the year, we have attracted the best talent towards building a competent team that contributed to excelling in operational achievements. We continue to engage and encourage our employees to perform to the best of their abilities through a performance-oriented working culture embedded with ethical and transparent behavior which, in turn, promotes sustainable and profitable growth.

We have conducted several training programs to uplift their capabilities and continued its commitment towards prioritizing health and safety in the operating environment, Professional development, succession planning, and technical training and development. Notwithstanding the challenges posed by the COVID-19 pandemic throughout the year a total of 265 employees endured 1651 hours of training during the financial year ended 31st March 2022. We will continue to take steps to strengthen our team's capabilities and increase efficiency as we steer the business forward.

Employee empowerment can have a significant impact on employee satisfaction, productivity, and engagement. Hence, Ex-pack has implemented a series of measures to counter the spread of COVID-19 and continued its commitment to support and empower our employees impacted by the COVID-19 pandemic.

Advancing Sustainability

Despite the challenges of operating within the COVID-19-related restrictions and impacts, the Group's well-entrenched sustainability management framework continued to ensure that sustainability considerations remained an integral part of all business operations. We believe this makes good business sense. By integrating sustainable development into our business, we have reduced overhead costs, increased skills, developed new business streams, and achieved resource efficiencies.

We have won many awards and accolades over the years in recognition of the significant contribution it made to the Socio-Economic Development of the country while adopting exemplary business practices. The awards are a prestigious benchmark amongst the business community in recognizing the company as the front runner. It is delighted to announce that we have been awarded ISO 9001-2015, ISO 14001-2015, WRAP Certification, and Forest Certification & awarded with a great place to work 2022 for one of the 10 best workplaces in the manufacturing and production industry in Sri Lanka.

Furthermore, we are continuously working towards preserving energy used at the manufacturing plant which contributes to reduced cost of production and more importantly facilitates the preservation and sustainability of the environment.

Going Green

In an era of Climate Change with the planet under severe threat for survival, industry accounts for 40% of worldwide energy usage. It is estimated that emissions from commercial buildings will grow by a further 1.8% by 2030. Thus, towards being a Responsible Corporate Citizen in the fight against Climate Change, we have initiated a series of measures to bring our operation's emissions and energy sources, in line with international goals and missions for sustainability and environmental compliance. As a result, we have embarked on obtaining Carbon Neutral certification for our factory in Kelaniya.

With the intention of becoming Carbon Neutral by 2022, we appointed Co-energy a professional independent specialist to assist the Company on this journey towards sustainability. During the year under review, they assessed the GreenHouse Gas (GHG) emissions of the operation and thereafter strategized with the Ex-pack team towards achieving Carbon Neutral. Subsequently, the Independent audit was successfully conducted by the National Cleaner Production Centre (NCPC) and the same was forwarded to the international verification body for certification, which will be awarded by the end of September 2022.

I am pleased that Expack has embarked on initiatives that will mitigate the

impact to the environment and positively contribute to sustaining the implementations to save the planet earth.

CSR

As we looked inward and thought about how we wanted to connect, empower, and impact families. Notwithstanding the challenges faced throughout the year, we remain committed to Corporate Social Responsibility (CSR), which is an integral part of the Group's business ethos within its triple bottom line approach which enables our staff to enrich their personal experiences through community engagement and service.

Our Core Strength

Our Parent company, Aberdeen Holdings is the key pillar that stands behind our success. On the other hand, one of our subsidiaries Neptune Papers (Pvt) Limited helps and co-exists with our waste management operational activities as well as provides a natural hedge against increasing paper prices.

Future Outlook

As we enter into another challenging year, we will continue to leverage on our experience and expertise to expand our businesses by adapting our business models accordingly to the ever-evolving business environment. We believe this allows us to remain relevant to ensure the longevity of our businesses and to prepare for any unprecedented circumstances while creating and protecting value for our stakeholders.

In conclusion, on behalf of the Board of Directors and all employees of Ex-Pack, I thank all our stakeholders for the support extended to the Group during the year. I also wish to thank all staff of our Group for their unstinting commitment, understanding, and cooperation throughout an extremely challenging year. Finally, I thank my colleagues on the Board and the Group Executive Committee for their valuable guidance and support during the year.

[SIGNED]

Zulficar Ghouse

Managing Director



sharing

Our Excellence

5. INVESTOR RELATIONS - PERFORMANCE HIGHLIGHTS

5.1 Macroeconomic Review

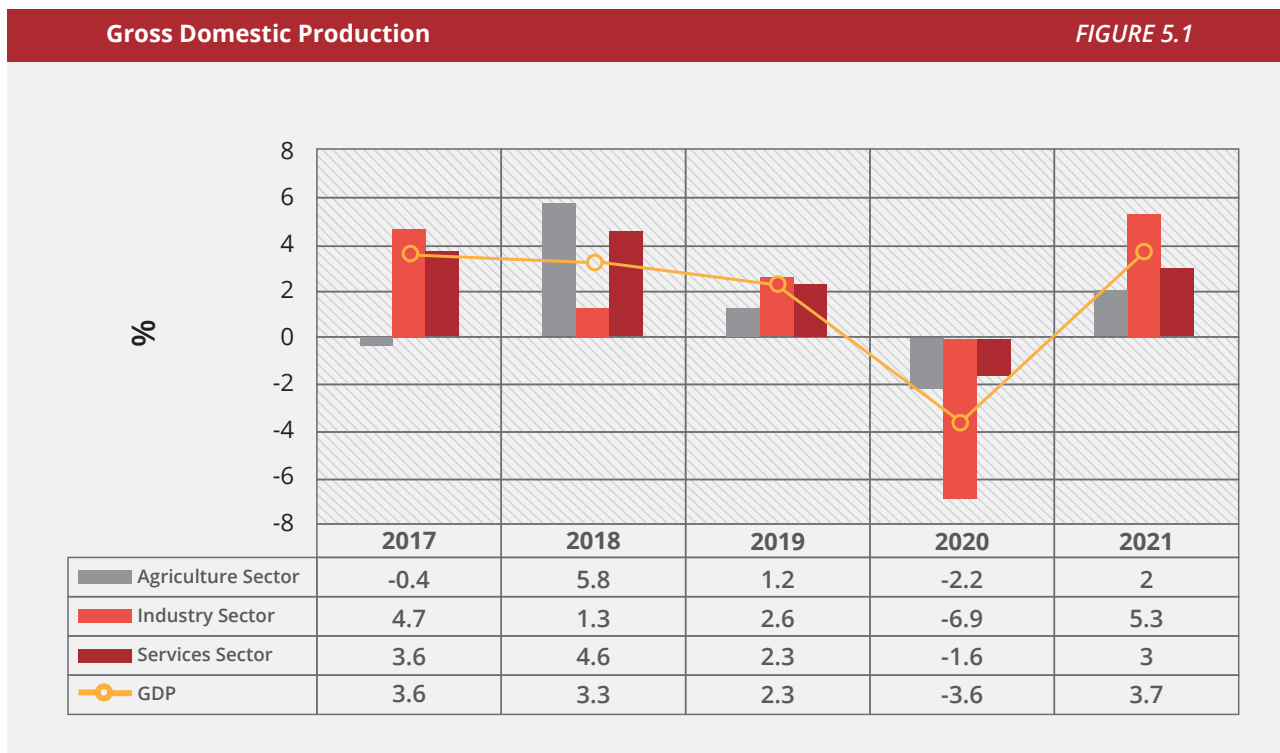
As per the Central Bank (CBSL) Annual report statistics and data, The Sri Lankan economy recovered in 2021, following COVID-19 caused an economic contraction in the year 2020. The intensified fiscal and external risks cause significant uncertainty to the economic outlook and Sri Lanka faces an external financing gap in 2022 and beyond.

Due to the political instability as well as the economic vulnerabilities inherited over several decades have resulted in unprecedented socio-political tensions in early 2022. Currently, Sri Lanka faces an economic crisis partly resulting from its twin deficit economy. A twin economy indicates that its domestic expenditure exceeds its national income, making it prone to external debt and dependence on foreign capital inflows.

GDP Growth

As per the CBSL records, the Sri Lankan economy recorded a growth of 3.7% in 2021, in real terms, compared to the contraction of 3.6% recorded in 2020. All sectors of the economy recorded notable growth during the year, namely the agriculture sector by 2.0 %, the industry sector by 5.3%, and the services sector by 3.0% respectively.

Major economic activities of GDP and their contribution are shown below:



Source: CBSL

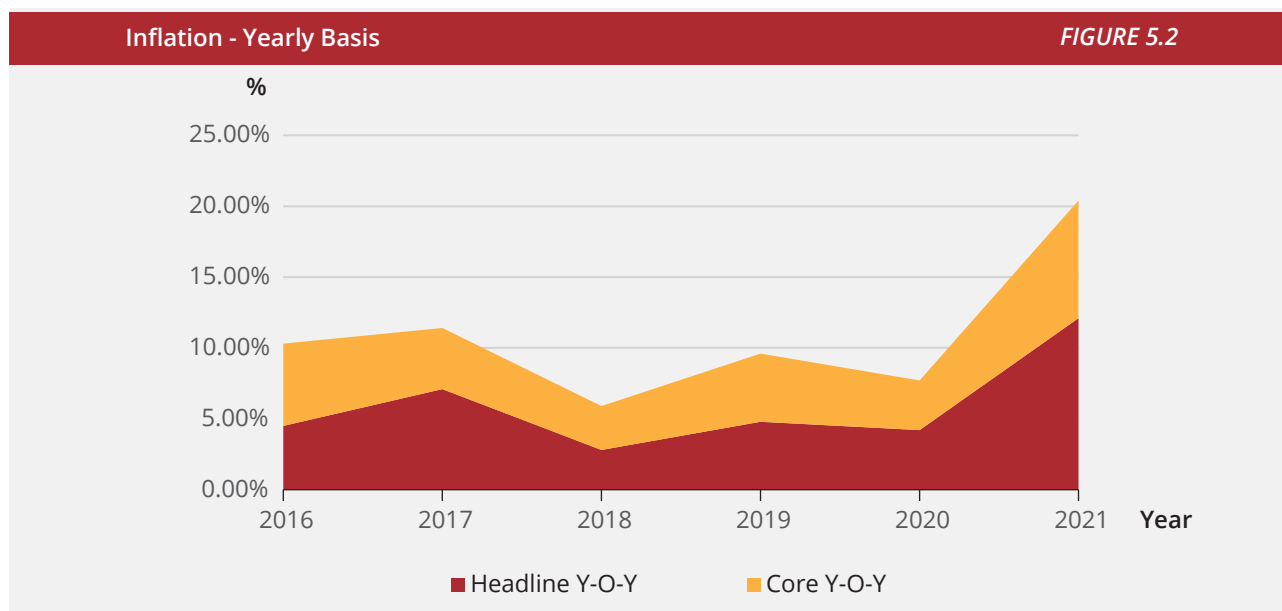
In the agriculture sector, significant contributions came from in the subcategories of growing of cereals (except rice), oleaginous fruits, and tea while in the service sector manufacturing, financial services, construction, transport, and real estate activity has positively contributed towards the sector performance. Despite the challenges faced due to the Covid pandemic, all subcategories in the services sector recorded growth.

The overall size of the economy has expanded by 4% to USD 84.5 billion in 2021 from USD 81.0 billion compared the previous year. Also, Per capita GDP has raised to USD 3,815 in 2021 from USD 3,695 in 2020 recording 3.2% Y-O-Y growth.

Inflation

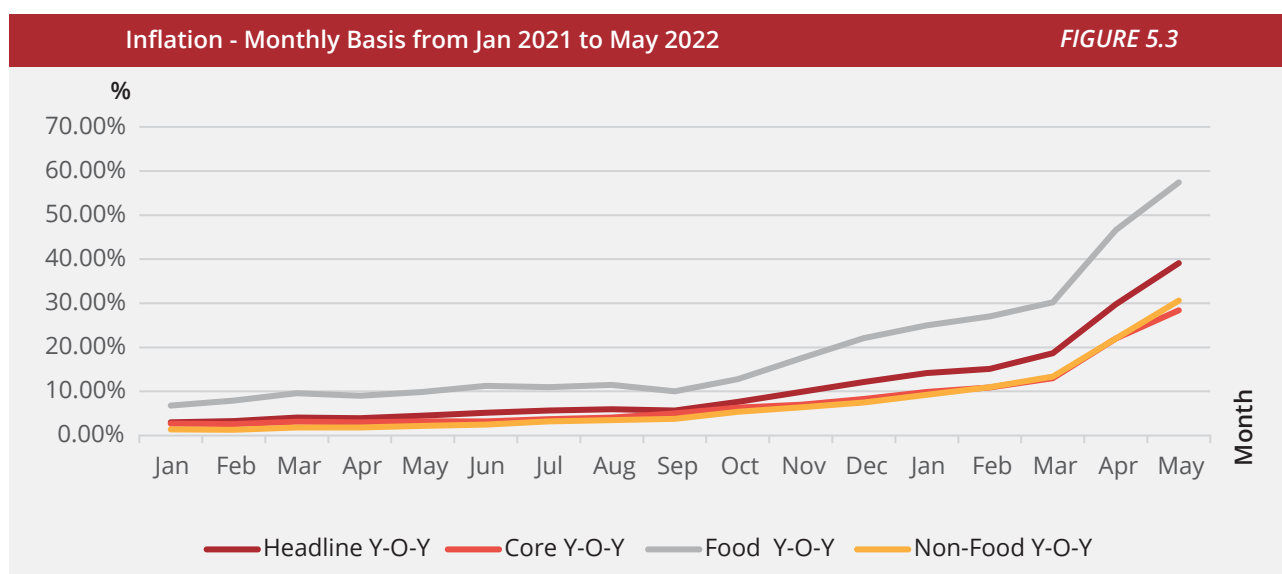
Year-on-year inflation has accelerated during the year 2021, mostly due to continuing food inflation, rising global commodity prices, fuel price increase and shortage, partial monetization of the fiscal deficit, and a sharp fall in the

Sri Lankan rupee, and worsened global uncertainty. All these factors negatively impacted to record all-time high inflation in May 2022.



According to the data published by the government's Census and Statistics Department, on a year-on-year basis, CCPI-based headline inflation continuously increased to 39.1% in May 2022. The inflation is rising month on month due to the monthly increases in both Food and Non-Food categories.

This increasing trend has been witnessed during the last few months and it is the highest inflation rate recorded ever and the sixth consecutive double-digit growth in history. The monthly change in CCPI, as well as the main impactful price increases, is depicted in figure 5.3.



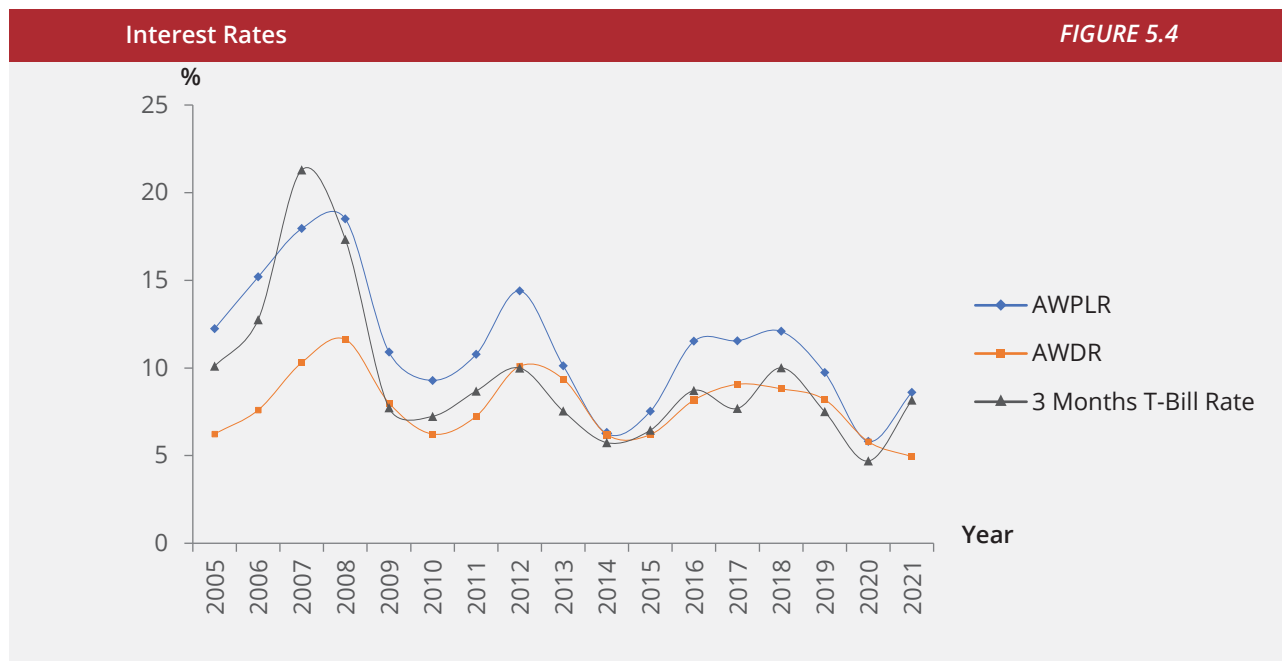
The core inflation (Y-o-Y), reflects the underlying inflation in the economy. Core inflation excludes the subcategories of volatile food, energy, and transport from headline inflation,

and reflects the underlying inflationary trends by removing seasonal price fluctuations and the effects of key administratively determined prices.

Interest Rates

The extremely accommodative monetary policy stance was maintained by the Central Bank of Sri Lanka from the onset of the pandemic in early 2020 through mid-August 2021. This strategy has helped reduce market interest rates to historically low levels and provide adequate liquidity to the domestic money market, thereby helping individuals

and businesses affected by the pandemic, while facilitating economic recovery. Market interest rates which declined to historically low levels have gradually adjusted upwards, and the trend over the last 16 years is shown in the figure 5.4.

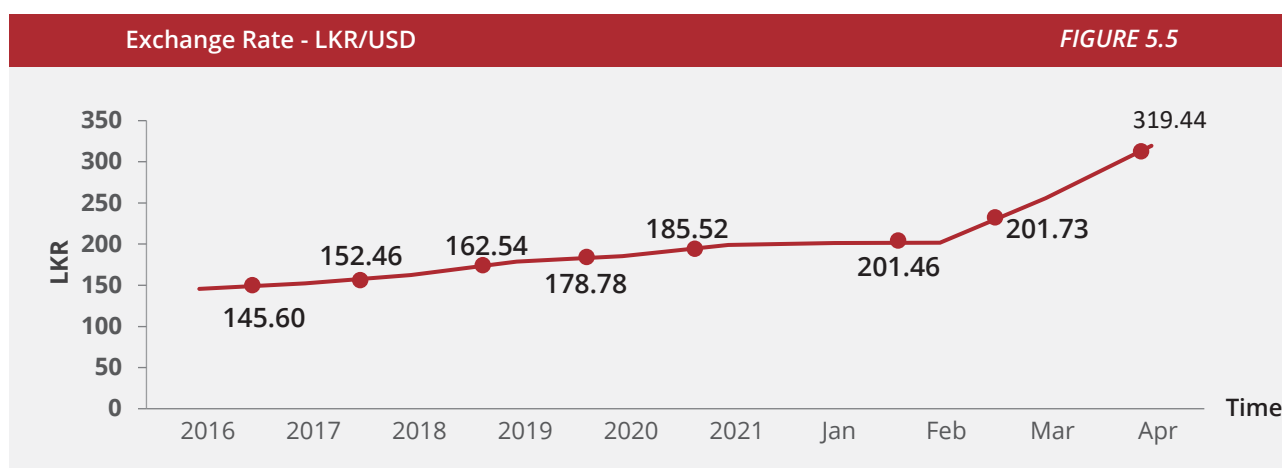


Source: CBSL

Exchange Rate

The Sri Lanka rupee was maintained broadly at stable levels during 2021 and in early 2022. The foreign exchange markets overreact to changes in monetary policy and the subsequent market adjustment due to heightened pressure in the domestic foreign exchange market resulted in an

overshooting of the exchange rate. Accordingly, The Sri Lankan currency has depreciated sharply by 7.0% against the USD at the end of the year 2021 and further depreciated by 33% by the end of March 2022.



Source: CBSL

Despite the current macroeconomic instability, the Sri Lankan economy is predicted to grow modestly with a debt restructuring programme and long overdue structural reforms alongside an economic adjustment programme to be supported by the IMF. However, it is expected to have a slowdown growth in 2022 mainly due to the macroeconomic

instability in the economy, stemming from the heightened vulnerabilities on both the external and fiscal fronts, rising social unrest and political instability, effects of the pandemic, the domestic energy crisis, and elevated commodity prices both globally and domestically.

5.2 Industry Overview

The local corrugated packaging industry recorded over 10% growth in recent years despite being major recent challenges like Easter Attack, Covid 19 pandemic, and later affected economic and political crisis in Sri Lanka.

The current industry of corrugated packaging is believed to be approximately 18,000 MT/Month locally manufactured by Leading 10 to 12 Companies dominating about 75% of the total market share. The balance of 25% is supplied by Small and Medium (SMEs) operating in the industry. There are about over 30 to 35 Small and Medium-sized enterprises operating currently.

There has been fierce competition prevailing among the major players in the market which sometimes led to “price wars”. The volume of business, Constant flow of assuring business, and assurance of payments make major competition among key players to win business from local leading Entities and MNCs – Multinational Corporations operating in Sri Lanka. There are 10 % to 12% of direct exports also happening to the Maldives, the Middle East, and a few selected destinations in addition to major indirect export opportunities.

The lucrative and growing market segments are witnessed by varying and diverse industries when it comes to the supply of corrugated packaging. Such leading segments may include Fast moving consumer Goods (FMCG) Market, Garments and Garment Accessories, Tea Exports market, Fruit, Vegetable, and spices exporters (Local Produce Exporters), Rubber, Coir, and Plastic base manufacturers/exporters, Fisheries and fisheries-related markets, & Bicycle and Consumer Durable markets. With recent challengers’ experiences such as Easter, Covid 19, and Economic and political uncertainty, some of these sectors have shown tremendous growth opportunities, and others show a downturn.

Despite major challenges being encountered and experienced by Expack, with strong strategies in place Expack has been able to embark on growing sectors and exploit opportunities to be successful.

During the period under review, the local corrugated carton industry has been experiencing unprecedented price hikes affected mainly by its imported papers as the main raw materials which account for about 70% or more of the total cost of production. These paper prices hike in the global paper industry have been so sharp and frequent which has made the local industry highly volatile and uncertain too.

However, rising paper prices result in a higher top line and bottom line for Neptune Papers, which compensates for the increased input costs for Ex-pack resulting from the paper price increase. Therefore, Ex-pack has a natural hedge against the increasing paper prices.

The main value chain inputs of the corrugated packaging industry are imported, and the sharp local currency devaluation against US \$ has the worst impact on the increased cost of importation. Further, US \$ scarcity, low severing bond availability, negative Fitch ratings of Sri Lanka by international monetary agencies, fuel shortages, electricity cuts, civil society, long queues for gas, fuel, and other commodities, and inflation have also affected the industry during the financial year 2021/22.

These negative circumstances have made the enterprises in the industry struggle and many companies in the industry have curtailed their manufacturing operations in responding to the negative market conditions.

5.3 Management Discussion and Analysis

5.3.1 Financial review

Revenue

The Expack Group's total revenue increased by 78% during the financial year under review, and the main contributory factor was the high demand for corrugated boxes and the advantage gained through rupee depreciation over USD. Volume increase and depreciation of rupee and increased in paper costs which was passed to consumers.

Gross Profit

Group Gross profit for the period under review was Rs.1,305Mn, which is an increase of 41% compared to Rs.928Mn recorded last year. Ex-pack Group achieved a Gross Profit margin of 15% during the year, against 19% in 2020/21. Although the margins have diluted the profitability per unit has increased.

Other Income and Gains

Group Other income and Gains increased by 362% during the financial year, this was mainly contributed by Exchange Gains through rupee depreciation over USD. Other income and gains amounted to Rs.312Mn compared to Rs.67Mn in 2020/21.

Administrative, Distribution Cost (Operating Expenses)

Administrative expenditure in the period under review increased by 37% to Rs.425Mn from Rs.310Mn in 2020/21. Selling and Distribution Cost increased by 53% compared to Rs.224Mn to Rs.343Mn in 2021/2022.

Profit Before Tax

The Group recorded a profit before tax of Rs.712Mn during the year, compared to a profit of Rs.218Mn in 2020/2021. The increased demand for corrugated boxes and positive impact on rupee depreciation helped to increase Group Profits.

Finance Cost

The finance cost of the company mainly consists of interest cost on short-term borrowings. The company benefited from the reduced bank lending rates, while Group finance costs were reduced from Rs.247Mn to Rs.195Mn during the financial year under review.

Pre and Profit after Tax

Expack has achieved Profit before tax of Rs.712Mn with comparison to Rs.218Mn in 2020/21, where is a 222% increment, it has resulted due to increasing in top line and operating gains through rupee depreciation have mainly contributed.

The Group's tax charge for the year was Rs.93Mn, which is a 635% increase compared to the previous year's Rs.13Mn.

Where Group Profit after tax Rs.619Mn against Rs.205Mn achieved last financial year.

Assets

During the financial year Group acquired Rs.330Mn assets which at the end of the financial year was Rs.1,659Mn net PPE compared to Rs.1039Mn in 2021/22.

Liability

Group Non-Current Liabilities amounted to Rs.259Mn over Rs.231Mn recorded for the period ended 2020/21, which 12% increased mainly due to Increasing Retirement benefit liability by Rs.20Mn.

Group Current liabilities amounted to Rs.4,412Mn over Rs.3,480Mn recorded for the period ended 2020/21, which 27% increased mainly due to increasing interest-bearing loans and borrowings, and trade and other payables increased by Rs.870Mn.

Net Cashflow Operations

Cash generated from operations for the period under review was Rs.207Mn against Rs.377Mn which the reduction resulted due to working capital changes that occurred during the financial year.

Net Cash Flow from Investing Activities

Cash generated from investing activities total balance for the period under review Rs.(242)Mn against Rs.(552)Mn last financial year 2020/21, have resulted due to acquisition of PPE Rs.330Mn against Rs.104Mn in last year.

Net Cash Flow from Financing Activities

Cash generated from financing activities Rs.924Mn to Rs.142Mn for the previous year 2020/21. This has mainly improved due to proceeds from IPO Rs.700Mn.

Net Change in Cash and Cash Equivalents

Net change in cash and cash equivalents improved from Rs.74Mn to Rs.963Mn compared to the previous year 2022/21.

Capital Expenditure

During the financial year Group acquired Rs.330Mn assets which at the end of the financial year Rs.1,659Mn net PPE compared to Rs.1039Mn in 2021/2022.

5.3.2 Operational Review

Operations management is all about efficiency: the design and control of production processes for maximum resource use to increase quality and profitability. Ex-pack reaching their operational excellence through continuous improvement is about making incremental changes that reduce waste, streamline work, and then improve profitability. We firmly believe in grooming talent through continuous training and development as a part of this process many seminars and in-house training for employees at all levels in the hierarchy are conducted in technical, motivational, and socio-cultural areas. During the financial year 2022, the company facilitated 1,651 Hours of in-house training programmes.

Manufacturing capabilities

Throughout the last 10 years Ex-Pack has been supplying corrugated cartons to their customers through their current manufacturing facility with an area of 145,000 sq. However, with the increase in the number of clients and requirements of each client during recent years the current manufacturing facility has not been able to fully cater to the demand from the client base due to the capacity of the factory being capped at 2,750 MT per month.

Certification and Standard

Ex-pack have been awarded with ISO 9001-2015, ISO 14001-2015, WRAP Certification, Forest Certification & awarded with a great place to work 2022 for one of the 10 best workplaces in the manufacturing and production industry in Sri Lanka.

 ISO 9001-2015 QUALITY MANAGEMENT SYSTEM CERTIFICATION Ex-Pack Certified for ISO 9001-2000 Quality Management system in 2006 and obtained ISO 9001-2008 in May 2010 and currently the certification is upgraded to ISO 9001-2015 which was received in September 2017.	 ISO 14001-2015 ENVIRONMENT MANAGEMENT SYSTEM As a responsible manufacturer, Ex-Pack has adopted on environmentally friendly manufacturing process and has taken steps to identify and control their environmental impact and constantly improve their environmental performance.	 WRAP- WORLDWIDE RESPONSIBLE ACCREDITED PRODUCTION Ex-Pack is the first and only Corrugated Carton manufacturer in Sri Lanka to receive WRAP certification. The certification ensures that all Ex-Pack products are manufactured under stipulated conditions, which cover ethical labour, healthy and safety, environmental protection and supply chain security as well.	 FOREST STEWARDSHIP COUNCIL® (FSC®) CERTIFICATION FSC defines standards based on agreed principles for responsible forest stewardship that are supported by environmental, social and economic stakeholders. As a responsible manufacturer, Ex-Pack has ensured its commitment to environmental sustainability through obtaining FSC certification.
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Ex-pack has won many awards and accolades over the years in recognition of its significant contribution to the country's Socio-Economic Development while adopting exemplary business practices. The awards are a prestigious benchmark amongst the business community in recognizing the company as the front runner.



SRI LANKA CSR AWARDS

Awarded in 2017
For the
Contribution made
Through it's
Corporate social
responsibility
(CSR) initiatives.



NATIONAL GREEN AWARDS

Awarded in
2013 and 2014.



BEST WORK PLACE IN ASIA

Ex-Pack was honored
with the "TOP 25 BEST
WORKPLACES IN
ASIA" in medium
category in 2019, 2020
and 2021.



GREAT PLACE TO WORK - SRI LANKA

The first corrugated
cartons manufacturer
to be recognized as
one of the "TOP 25
BEST WORKPLACES IN
SRI LANKA" - awarded
in 2018, 2019, 2020
and 2021.

Neptune Papers Private Ltd

Neptune Papers (Pvt) Limited is the subsidiary of Ex-pack which was incorporated in 1993 and is ranked as one of the leading waste paper exporters in Sri Lanka.

Responsible management of waste is an essential aspect of sustainable building. In this context, Ex-pack has identified the reduction, recycling, and reuse of wastes as essential for the sustainable management of resources.




Realizing group synergies the majority of Neptune's waste paper is supplied to paper mills in the region. Some of these paper mills are paper suppliers to Ex-pack Hence, Neptune's relationship with some of these mills provides strategic benefits to Ex-pack.

Furthermore, Ex-pack is able to derive invaluable insights into the price trends of the paper market by studying the prices Neptune charges paper mills for its waste paper.

Ex-pack is able to leverage the long-standing relationships that Neptune has developed with paper mills to obtain preferential terms and conditions – especially during times of paper shortages.

Also, it provides a natural hedge against increasing paper prices where rising paper prices result in a higher top line and bottom line for Neptune Papers while compensating for the increased input costs for Ex-pack resulting from the paper price increase.

Similarly, the revenue of Neptune papers is expected to increase especially with the increase in paper prices, thus increasing contribution to overall group earnings. This will positively impact Ex-pack's top line as well as the bottom line. Therefore, as one of the largest and fast-growing players in the recycling space, Neptune Papers is expected to significantly contribute to Ex-pack's growth trajectory. The summary of the operational activities of Neptune Papers (Pvt) Ltd is given below;

TYPE OF SERVICE	SERVICES PROVIDED
Recycling Solutions 	<p>Offer shredding service to destroy confidential documents generated at Banks, Government Bodies and Financial institution in Sri Lanka.</p> <p>The services include:</p> <ul style="list-style-type: none"> ■ Labour and transport to remove the material, within 48 hours of receiving a request from customers. ■ A report confirming the amount of paper recycled, and the environmental impact of the action at the completion of each shredding is provided to the customer.
Industry Solutions 	<p>Offers complete recycling solution for factories and manufacturing sector organizations.</p> <p>The services include:</p> <ul style="list-style-type: none"> ■ Collection/Delivery of recyclable waste including Cardboard, Cardboard Tubes, Polythene, Plastic and Cotton Fabric offcuts. ■ A report confirming the amount of paper recycled, and the environmental impact of the action at the completion of each shredding is provided to the customer.
Paper & Board 	<p>Offers outbound and inbound collection services where a variety of wastepaper grades is accepted at the market rate.</p> <p>The services include:</p> <ul style="list-style-type: none"> ■ Collection / Delivery of paper-based waste including Cardboard, Cardboard Tubes, Wastepaper, boxboard etc. ■ Inbound operation including walk-in process which allows paper waste collectors from the entire island to deliver their material for export purposes and making a living out of it.

Cotton Waste Solutions



Offers outbound and inbound collection services for cotton offcuts/clips in sorted and unsorted form.

The services include:

- Collection/Delivery of cotton waste including Cotton, Lycra and Poly cotton.
- Segregation of unsorted materials into the standard grades mentioned above for exporting of these materials to OE Spinning mills to manufacture recycled yarn.

Paper Reel Organisation



Indent and supply a vast range of high-quality paper board products to the Sri Lankan market which can be used for high-speed printing, packaging and carton box manufacturing etc.

The services include:

- Satisfy customers by matching their paper and board requirement through converting process.
- Offer a range of such paper and board products for varied needs of the packaging, printing and manufacturing industry. This includes Test liner, Kraft liner, newsprint paper etc.

Project Net Organisation



Provides a wide array of services to handle all the recycling needs for Plastic, Glass, Coconut shells and even E-waste providing a total recycling solution.

The services include:

- Collection/Delivery of all types of recyclable waste.
- Certification from the End party for the materials recycled.

Neptune Essentials



Neptune Essentials provide its clients with nothing but the best quality office stationery at affordable rates, in a hassle-free manner. Neptune Essentials also provides dry rations, sanitary items, and IT equipment. Companies can then have all this delivered right to their doorsteps, anywhere in Sri Lanka.

5.3.3 Business Model for Sustainable Value Creation

We are committed to continuing our journey of sustaining the three-fold CSR strategy of being responsible for the environment, providing assistance to the community, and developing our employees.

Corporate Social Responsibility of Ex-Pack

We are being one of the leading local business-to-business companies in the packaging industry has formulated our CSR mechanism by identifying social and environmental governance gaps that require attention in the area we operate in and has taken genuine efforts to uplift the community through philanthropy, education, health, ethical labour initiatives, and volunteering through its CSR programs.

The Company always endeavors to ensure that both the local and general public are well assisted and supported in their general livelihood to harness the opportunities for wellbeing. Ex-pack is a thriving and successful company that has effectively played the role of a social entrepreneur in the upliftment of society.

■ Preserving and Safeguarding the Environment

As a manufacturer, Ex-pack is committed to undertaking good and safe manufacturing practices in order to minimize the harmful effects which can affect the environment and the community. The Company thrives to improve the processes to reduce wastage and increase efficiency and productivity. As an ISO 14001- EMS (Environment Management System) certified company all of the Company's manufacturing waste is effectively recycled as per the legislative requirements of the country.

The company is constantly exploring the possibility of enhancing the CSR activities in the above core areas and beyond to continue to be a socially responsible, ethical, and environmentally concerned company.

All employees are given awareness on recycling, cost saving, energy management etc. In this regard, Ex-pack also carries out external awareness programs on waste management along with creating awareness among the community as a whole.

Emphasis on the importance of preserving the environment is one of Ex-pack's key values. The company has taken a crucial stance in working towards educating school children on the importance of waste management with the belief that it is critical to educate the younger generation on preserving the environment to the best of their ability.

The concept of the "Pivithuru Pasel" project aims to educate children on how to effectively manage solid waste by classifying it into categories such as Polythene/plastics, paper waste, recyclable, and biodegradable waste etc. Two such projects have been conducted with two schools in partnership with the local authorities and the Solid Waste Management Unit of the Western Provincial Council. Biyagama Central College and Mahinda College were selected and the project was conducted successfully by providing the necessary apparatus for waste management as well as conducting a seminar at the school on the importance of waste management.



Preserving the environment



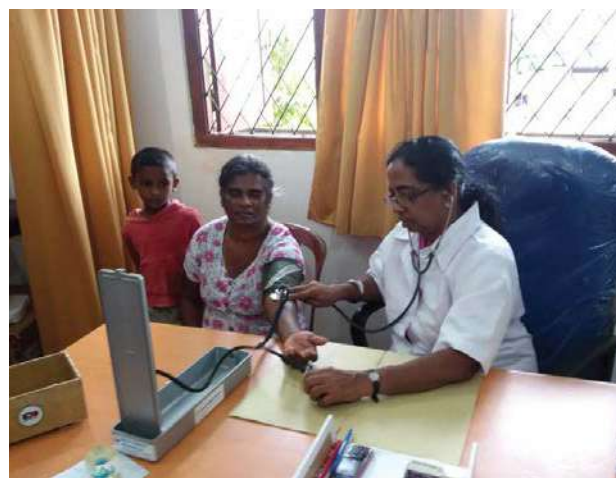
■ Assistance to the community - Uplift and ensure wellbeing

Ex-pack considers itself a member of the local community. The Company takes every endeavor to build and maintain good relationships with the community as they are key stakeholders of our business. Therefore, it is important to feel the pulse of the community in which Ex-pack operates to understand their socio-economic problems to identify and implement meaningful activities to assist the community in any given situation. Through these activities, the Company has built a bond and sense of solidarity with the community through the promotion of health, community, and educational assistance programs.

Ex-pack identified a need to set up a medical clinic in the Pattiwila area which is in close proximity to the factory to cater to the low-income families and the elderly population who are deprived of proper medical attention due to the high cost of medical treatment from private medical institutions outside the village of Pattiwila. As a CSR initiative and in consultation with the Chief Prelate of the Pattiwila Sri Shailaramaya temple, Ven. Ariyadhamma Thero, Ex-pack Medicare was initiated in June 2011, which has been operating to date at the premises of the temple. Ex-pack Medicare provides consultations and medicine free of charge to the Pattiwila village community three times a week on Mondays, Wednesdays and Fridays. Thus far, the clinic has treated more than 50,000 patients and counting.



Community assistance



Through these efforts, Ex-pack strives to build the image of a progressive and stable company who are genuinely concerned about caring for the environment, the community, and its stakeholders.

Ex-pack emphasizes providing equal opportunity in the recruitment of employees and going beyond the norm in hiring differently-abled persons and making them a part of the Ex-pack family. There is no discrimination exercised whatsoever and these differently-abled persons are given

responsibilities in performing their day-to-day tasks along with other colleagues.

Furthermore, special emphasis is given to the "Health is Wealth" concept. As a concerned employer, Ex-pack endeavors to keep its employees in good health. In this aspect, annually a health camp is conducted for all its employees. Eye care, Dental check-ups, Diabetes, and general check-ups are performed on all the employees, and records are maintained.





Health check up



From the year 2009, Ex-pack annually supports its employees by providing school books and stationery to the school-going children of the employees. This comprehensive pack includes writing books, stationery, school bags, lunch boxes, and water bottles as well as a voucher to purchase shoes.

The recipient children await this day with enthusiasm and accept it with much pride and joy. This great CSR initiative is appreciated and applauded by the employees and their children.



Children of employees

The Company took another step forward to encourage the children of our employees and our service providers who excel in their studies by financially assisting them. Thereby, children who passed the year 5th scholarship examination and who gained university entrance were rewarded.

Further, the undergraduates were assisted with grants for up to a maximum of four years to assist them in their studies.

Sustainable Manufacturing

Sustainability is at the forefront of the operations at Ex-pack. Manufacturing plants have been able to reduce their paper waste to record-low levels. In order to reduce paper waste and ensure waste management, the company has adopted the following strategies.

- Stringent order planning
- Continuous training and development of technical staff
- Machinery upgrades

Ex-pack is continuously working towards preserving energy used at its plant where it contributes to reduced cost of production and more importantly facilitates the preservation and sustainability of the environment. Special programmes are continuously implemented and monitored in areas concerning electricity, furnace oil, water, petroleum-based products, and main raw materials of papers.

Further, through a stringent approach to waste management, paper waste is always at its optimum levels, and waste in turn is used in recycling. As a policy Ex-pack sources its papers from global mills certified and accredited to be Forestry Stewards Council (FSC) mills in order to protect the environment.

■ Ex-Pack Embarks on a Sustainability Journey with Carbon Neutral and LEED Certification

In an era of Climate Change with the planet under severe threat for survival, industry accounts for 40% of worldwide energy usage. It is estimated that by 2030, emissions from commercial buildings will grow by a further 1.8%. Thus, having understood the criticality and importance, Ex-pack has initiated a series of measures to bring our operations, emissions and energy sources, in line with international goals and missions for sustainability and environmental compliance.

The company has taken the decision to become Carbon Neutral by 2022. To assist the Company on this journey toward sustainability, Ex-pack has retained the professional services of co-energi (Pvt) Ltd., an independent specialist provider of sustainable and resource-efficient designs. co-energi is a Building Engineering Consultancy based on a philosophy of "SMART DESIGN", specializing in Green Building and MEP Design Consultancy.

During the year under review, Co-energi assessed the GreenHouse Gas (GHG) emissions of the operation and thereafter strategized with the Ex-pack team towards achieving Carbon Neutral.

Subsequently, the Independent audit was successfully conducted by the National Cleaner Production Centre (NCPC) and the same was forwarded to the international verification body for certification, which will be awarded at the end of September 2022.

Leadership in Energy and Environmental Design (LEED) is the top Green Building Certification in the world, offered by the US Green Building Council. It helps companies design and build structures and operations integrated with environmental responsibility, with minimal impact on occupant health and the natural environment, and delivers high resource efficiency throughout its life cycle.

Ex-pack has embarked on obtaining LEED certification for their new factory in Kelaniya, a further demonstration of the commitment the company has towards being a Responsible Corporate Citizen in the fight against Climate Change. As the leader in packaging and being an environmentally friendly organization, Ex-pack will be the first corrugated carton manufacturer in Sri Lanka to obtain both Carbon Neutral and LEED certification.

Utilization of IPO Funds

Expac raised Six Hundred Ninety-Nine Million Nine Hundred Ninety-Nine Thousand Nine Hundred Ninety-Seven And Cents Twenty (LKR 699,999,997.20) via Initial Public Offering in October 2021 in order to set up a manufacturing facility. The status of Utilization of Funds Raised Via IPO Proceeds as of 31st March 2022 is tabulated below,

OBJECTIVE NO.	OBJECTIVE AS PER PROSPECTUS	AMOUNT ALLOCATED AS PER PROSPECTUS IN RS.	PROPOSED DATE OF UTILIZATION AS PER PROSPECTUS	AMOUNT ALLOCATED UPON THE RECEIPT OF PROCEEDS IN RS. [A]	AS A % OF TOTAL PROCEEDS	AMOUNT UTILIZED IN THE OBJECTIVE RS. [B]	% OF UTILIZE AGAINST ALLOCATION [B/A]	CLARIFICATION IF NOT FULLY UTILIZED INCLUDING WHERE THE FUNDS ARE INVESTED
1	Invest in a new state of the art manufacturing facility.	700,000,000	Q3 of FY22- Q4 of FY 24	700,000,000	100%	Purchase of Land 252.5 M	36%	The Funds raised has been deposited in a 3-month Wakala Deposit account at Seylan Bank.

5.3.4 Human Capital

Despite unprecedented uncertainty and turbulence in the operating environment, our pool of 264 employees ensured the continuity of our operations during the year. We in turn, remained steadfast in our commitment to nurturing our human capital providing them with an attractive value proposition.



STRATEGIC RELEVANCE

■ Empowered Team

Our Management Approach

Our Human Resource policies and procedures are aligned to that of our Parent entity, Aberdeen Holdings and have been developed in line with industry best practices. The well-defined governance structure and the comprehensive policy frameworks in place ensure that our employees are always treated in a fair and equitable manner. Aligned to the Parent entity's policy, this allowed employees to work from home for several days a week while the necessary technology infrastructure was provided to facilitate this transition.

Team Profile

Our pool of 264 employees which comprised of permanent staff are a key source of competitive strength to the organization. We are an equal opportunity employer and strive to create an environment which does not discriminate our employees based on ethnic origin, religion, political opinion, gender, marital status, or physical disability.

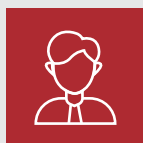
■ Sustainability

Relevant HR Policies

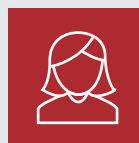
- Recruitment Policy
- Child Labor Policy
- Communication Policy
- Disciplinary Actions Policy
- Training and Development Policy
- Non Discrimination Policy
- Evacuation Procedure Policy
- Freedom of Association and Collective Bargaining Policy
- Grievance handling Policy
- Harassment and Abuse policy
- Health And Safety Policy
- Subcontracting Policy
- Uniform Policy

New Policies Introduced During the Year

- Anti Corruption and Ethical policy
- Data Protection Policy
- Human Right Policy
- Land Right Policy



84%
Males

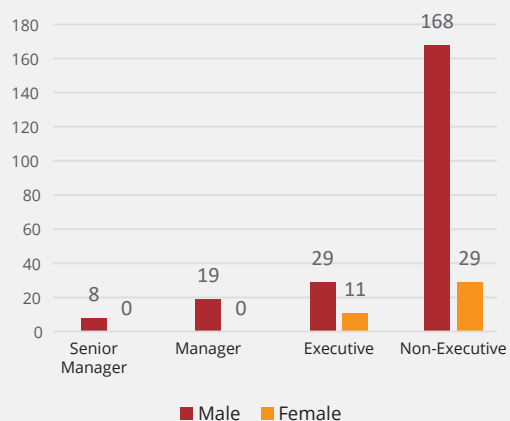


16%
Females

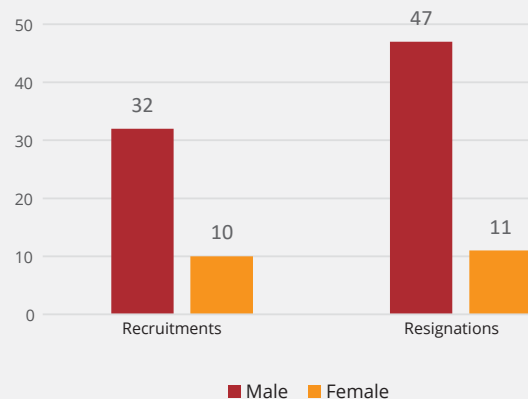
35 Years - average age of employees

7 Years - average of years of service

EMPLOYEES BY CATEGORY AND GENDER



RECRUITMENT AND TURNOVER BY GENDER



RECRUITMENT AND TURNOVER BY AGE GROUP



MOVEMENTS IN OUR TEAM

We adopt a structured and transparent process for attracting, retaining, and developing the right talent with the skills and experience required to drive our strategy.

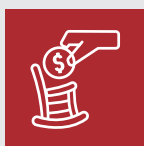
■ A Safe Workplace

As a responsible employer, ensuring the health and safety of our employees remained a priority, particularly given the emergence of highly transmissible COVID-19 variants during the year. In addition to stringent health and hygiene measures to ensure physical well-being. We also placed emphasis on the employees well-being during the year conducting several motivational awareness programs to boost morale.

In addition to the measures adopted to curtail the spread of COVID-19, the company has in place stringent health and safety procedures, particularly given its extensive manufacturing operations. We maintained 100% covid vaccination status administering both vaccines, to our employees, which have strengthened our internal processes, standards and nurtured a safety - conscious culture.

- Job rotations and a Work from Home arrangement were introduced for Office carder.
- Random PCR tests and temperature monitoring was conducted at manufacturing facilities.
- Conducted COVID-19 awareness sessions for all employees.
- Employees were provided transport facilities to minimize the risk of exposure through public transport.

	2022	2021
Total number of injuries	6	7
Lost days	2	94.5



RETIREMENT BENEFITS

- Contributions of 14% and 3% to EPF and ETF respectively.
- Retirement gratuity for employees who have served 5 or more years.



INSURANCE

- Medical insurance Covered for self and family.
- Workmen's compensation for injuries.
- Personal accident cover for executive employees.



ALLOWANCES / INCENTIVES

- Productivity and attendance incentives.
- Special allowances.



OTHER

- Festival Loans.
- Essential products at discounted rate.
- Free transportation for factory and office staff.
- Personal Loans.
- Wedding Loans.
- Funeral Contributions.
- Free meal and accommodations for outstation employees.

■ Remuneration and Benefits

We provide our employees an attractive and competitive remuneration package and additional benefits which are in line with industry best practice in order to attract and retain the industry's top talent. Our remuneration structures also encourage a performance-driven culture, motivating employees to achieve organizational goals. Permanent employees are offered fixed and performance-based components with the latter is decided after a performance appraisal. A target-driven approach is adopted for the sales team who receive monthly performance incentives linked to pre-determined targets. During the year, Rs.141Mn was paid as remuneration and benefits to employees which is an increase of 13% when compared to last year.

Remuneration and Benefits



In addition to the above, additional benefits relating to COVID-19 were provided to employees and their families and are presented below.

- Workers who were affected by COVID-19 were provided with hospital care and covered with insurance.
- Conducted vaccination drives.
- Dry ration packs were provided to employees who tested positive for COVID-19.

■ Employee Recognition

We conduct numerous recognition schemes to identify and reward high-performing employees. During the year, 22 of our employees were awarded for continues attendance. -a reward scheme initiated by the Ex-Pack Corrugated Cartons PLC recognizing talented employees for their contribution towards achieving the Group's strategies and goals.

■ Employee Engagement

Although physical engagement was restricted due to the COVID-19 pandemic, we conducted several activities to keep our employees motivated and engaged. Given the conditions that prevailed, we enhanced engagement through digital platforms, while a few activities were carried out physically. A few engagement activities conducted during the year are listed below:

■ Diversity and Inclusion

In line with its commitment towards nurturing an inclusive workplace, the EX-Pack launched many Programs driving the values of diversity, equality, and inclusion. Also, launched several new initiatives to enhance diversity and inclusion within its operations. This included,

Provide Equal opportunities to all in a performance based work environment and promotions effected based on their Knowledge, Skills and Attitudes (KSA's).

- Sharing best practices with professionals in similar industries on how best to embed diversity and inclusion into corporate culture.
- Communication drive to address unconscious bias and raise awareness of how an inclusive culture enhances business performance and growth.
- Implementation of a new Standard Operating Procedure for recruitment which mandates the shortlisting of at least one female if there have been female applicants.
- Incorporate Female friendly work environment through ensuring respect provision of hygiene products to female employees etc.

Employees were given a box of dry food to coincide with the 25th anniversary of the organization. A special banquet was also held.	Job Value Programme Motivational training on the value of their jobs was conducted to coincide with the 25th anniversary of the organization.
Distribution of schoolbooks to the children of the employees.	Earth Day Celebration: The Innovation and Skills Exhibition launched last year will continue to be active this year, with divisions encouraging employees to display any kind of eco-friendly skills and creations.
Celebrated Women's Day with the participation of employees emphasizing the theme "Power of Women" .	Ezema implements those new ideas. Endangered herbal tree planting programmes. Winners will be judged by the Managing Director and cash prizes will be awarded.
Employees were recognized by presenting awards based on the length of service they have served (5,10,15,20,25,30 years).	Employee Satisfaction Survey which is conducted by the Great Place to Work Institute Covering 100% of the employee population. The survey covers the following criteria. <div> <div> <ul style="list-style-type: none"> ■ Work environment ■ Rewards and recognition ■ Opportunities for training </div> <div> 92% ■ Employee Satisfaction Rate </div> </div>

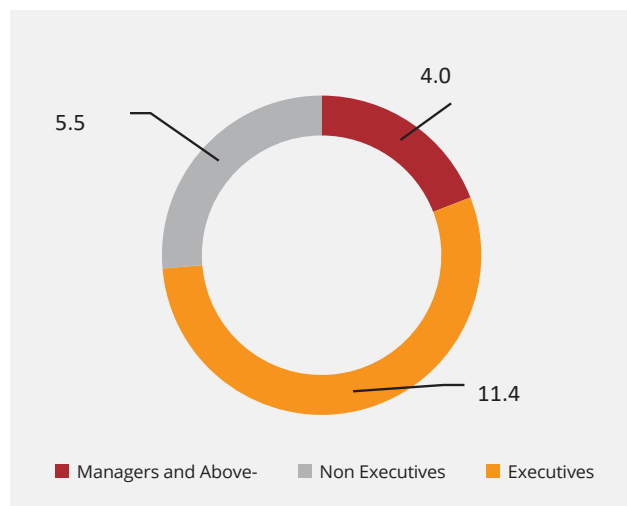
Training Programme	Training Hours
Managerial and Leadership Skills	1014.5
Soft Skills	164
Technical Skills	113.5
Health & Safty	359
Total	1651

■ Opportunities for Training and Development

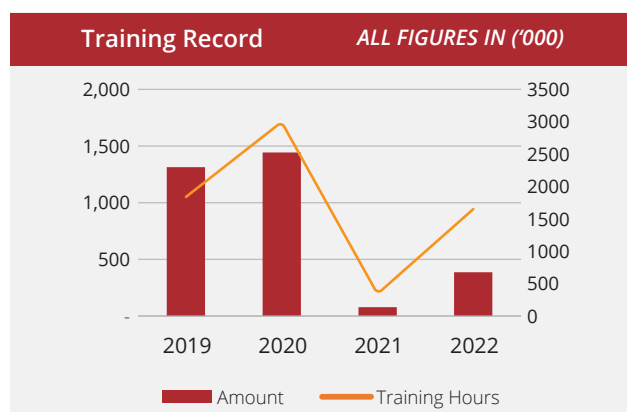
Training and development is a key aspect of our employee value proposition. We provide ongoing opportunities for development after identifying training needs through skill inventories and training needs analysis. We offer a range of internal, external, and on-the-job training opportunities which help our employees gain the right set of skills and knowledge to achieve both organizational and professional goals. Due to the pandemic and the need for social distancing, training programs were shifted to digital platforms. During the year, total investment in training amounted to Rs. 387,210 while a total of 265 employees underwent 1,651 hours of training. This includes 834 hours of training done by inhouse trainers and 691 hours of training conducted by external resource persons. The T & D function is facilitated by the inhouse training auditorium titled "Knowledge Hub" which is a 50 seater facility with multimedia and all necessary training apparatus.

■ Employee Productivity

There is a concentrated effort to drive employee productivity and increase operational efficiencies within the Group. Factory level productivity is measured through production-related metrics, the company's overall employee productivity is assessed through revenue and net profit per employee. During the year, we strived to increase productivity by focusing on employee's mental wellbeing and technical skills enhancement through various training and motivational programmes.



Average Training Hours by Inhouse Trainers and External Resource Persons



Coaching and motivational sessions carried out during the year include:

Employee Engagement Programs

Monthly Employee Engagement Program session initiated with the intention of imparting knowledge on time management, creativity, accuracy, and quality aspects. The sessions were conducted for different departmental within the organization.

Shine With Value

Implemented by the leaders of the sales team to showcase how they achieved success by amalgamating core values such as trust, care, integrity, innovation, and excellence with the sales profession.

Soft Skills Development Programme

A series of training programs were conducted for Executive and above staff in order to improve their soft skills. The programs covered areas such as 'effective business communication and tele sales secrets as well as supervisory development program.

■ **Way Forward**

The Group's HR priorities for 2022/23 will center broadly on three main themes,

Driving the Group's Diversity, Equality, and Inclusion agenda, with concerted efforts to enhance female representation and offer a more conducive work environment for females.

Strengthen employer branding through targeted communication and engagement methods.

Create a culture of learning and nurturing the best practices in the industry.

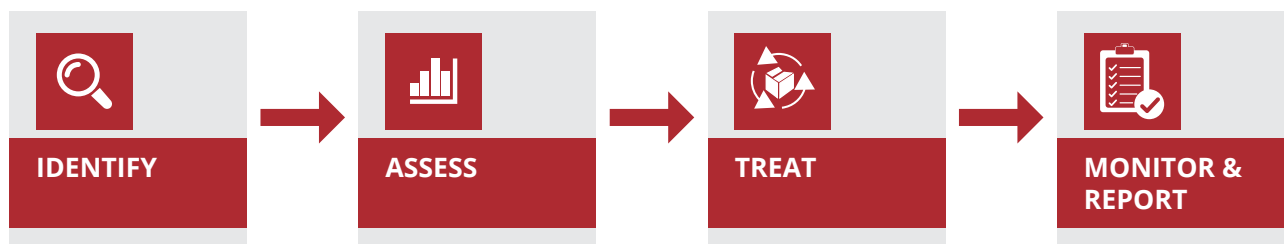
5.3.5 Risk Management review

Introduction

Almost all business decisions contain an element of risk. Therefore, analysing and managing risk is an integral part of any organization to formulate its strategies to accomplish the desired objectives. Risk management consists of identifying, analysing, and managing all the existing and potential internal and external risks that could adversely affect the achievement of expected goals of the Company. Generally, this involves reviewing the operations of the organization, identifying potential risks and the likelihood of their occurrence, and taking appropriate actions to address them, in order to prevent the most likely threats.

The risk management framework has remained resilient throughout 2021/22, amongst a challenging macroeconomic environment. The company manages risks under an overall strategy formulated by the Board of Directors, supported by the senior management team which continuously reviews and enhances the effectiveness of the risk management plans, systems, processes, and procedures. The review is done during the monthly meeting and takes proactive decisions are taken when required.

Risk Management Process



1. Identify the Risk

The initial step in the risk management process is to identify the risks that the business is exposed to its operating environment. Senior managers identified risks relating to their particular responsibility areas where risk triggering points will be immediately discussed with the CEO and the Managing Director. Thus, responsibility for risk identification lies with the risk owners in each segment and function. There are many different types of risks such as Legal risks, Financial risks, Environmental risks, Market risks, and Regulatory risks.

2. Analyze the Risk

After risks have been defined, the next step is to analyse their criticality in order to determine which actions that should be taken further. The assessment phase includes the recognition and rating of risks in order to determine the most significant disturbances by which an organisation is confronted with. we assess the risk by by determining consequences and likelihood of occurrence. The corporate management discuss these risks and analyze their criticality at the monthly management meeting and if there is any urgent matter, they meet and discuss as and when required.

During the financial year ended 31st March 2022, the company has taken a number of initiatives to strengthen its risk management capabilities. Some of these initiatives include adopting faster and more efficient system-driven processes, internal controls, and fine-tuning of key risk indicators for operational risk.

Framework and Procedures

Ex-pack Corrugated Cartons PLC has given due consideration to its risk management process. The company seeks a proactive and holistic approach to managing and mitigating the risk to improve returns. Furthermore, Ex-pack focuses on long-term sustainable value to all our stakeholders by identifying the risks, both existing and potential, and analyses all risks to determine their most probable impact, as well as to take precautions as far as reasonably practicable by taking prompt actions to mitigate them. A Corporate Risk Management Framework was developed by highlighting the process adopted by the Company towards risk identification, evaluation and control, and monitoring.

3. Evaluate or Rank the Risk

Next, rank and prioritize each risk depending on its severity. This allows the risk management team to see and understand organizations's total risk exposure. Risk profile, risk appetite and risk tolerance levels will be decided by the senior management in accordance with the company risk policies and guidelines. Several key risks are identified as exiting risks, to which the company is exposed, in its day-to-day business activities and categorized as Internal and external, for assessment and to facilitate taking adequate precautionary measures. Risk Assessment can include both qualitative and quantitative assessments of the likelihood of the various risks occurring and the impact of these in terms of cost, schedule, and/or performance.

4. Treat the Risk

Ex-pack develops a risk treatment plan to eliminate or contain each risk as much as possible. Starting with the highest-priority risk, you and your team should work to solve the threat (or at least mitigate it) so the risk no longer threatens your organization. A good starting point is to connect with the respective experts of each field to which the risk belongs. Ex-pack follows risk mitigation strategies such as

- **Avoid the risk:** Stop activities that cause the risk.
- **Reduce the risk:** Take action to reduce the likelihood of an adverse event occurring.
- **Share the risk:** Take out insurance to cover the risk or contractually agree with other parties to share the potential recovery costs.
- **Accept the risk:** Acknowledge that if the threat occurs, the organization will have to bear the consequences and be prepared with a contingency plan.

5. Monitor and Review the Risk

The Board of directors consider risk management as an integral part of its business operation. They oversee the implementation of the risk management framework, periodically review the risk management processes, and ensures that ongoing measures taken were adequate to manage, address or mitigate the identified risks. They meet once in every month and make sure that periodic review and continuous improvement is done on timely manner. Further, they gather information to improve risk assessment, detect changes in the external and internal context, including changes to risk criteria and to the risks, which may require revision of risk treatments and priorities and identify emerging risks.

The assessment of such risks and the related responses are set out below:

Operational Risk Management

Paper is the key material for operations of manufacturing corrugated cartons. Whilst periodic and moderate changes in the prices of raw materials are expected in the normal course of the business, year-long, global pandemics having long-lasting effects on the production and procurement of the materials are expected to increase the costs for companies that use paper as raw materials in their operations. The current economic situation has caused dramatic shifts in operating patterns within the paper industry, which have resulted in fluctuations in pulp and paper supply and demand. Ex-pack has been able to minimize the impact of price increases as a result of the favourable contract terms provided by suppliers due to their long-standing relationships with the Company. It should be noted that the Company has been able to pass on increases in paper prices to its customers. Furthermore, an increase in paper prices provides a favourable impact on the profitability of Neptune, the subsidiary of Ex-pack, providing a natural hedge to reduce any uncovered impact through price increases.

Whilst Ex-pack operates under a B2B business model, the majority of the Company's customers are in the consumer products industry. Demand for these products has fluctuated over the last 18 months due to the Covid Pandemic and can be expected to fluctuate in the next few quarters as the impact of the pandemic continues resulting in an impact on the demand for Ex-pack products.

Exchange Rate Risk

Currently, Ex-pack mainly imports using USD and any depreciation against these currencies can lead to higher raw material costs which would affect bottom line of the company. However, the company has managed to maintain its margins through negotiations with suppliers and bypassing the costs to its customers. Further, more than 50% of Ex-pack's revenue receipts earned in dollar provides a natural hedge against any cost escalations linked to rupee devaluation.

Interest Rate Risk

Ex-pack is exposed to interest rate fluctuations through its borrowings to fund its operations and expansion plans. The Company keeps its borrowing cost low by negotiating with lenders at both Aberdeen Holdings Pvt Ltd. group level and Ex-pack company level when raising debt capital.

Competitive Risk

Ex-pack is exposed to competitive risk in terms of price competitiveness in the industry. Ex-pack closely monitor competitors price movements and take prompt decision to avoid negative impacts from price wars. However, as Ex-pack competes with the superior product quality compared with the other competitor keeps the Company ahead of the rest.

Regulatory Risks

A compliance risk is a risk that affect company's reputation or finances due to violating of external laws and regulations or internal standards. Therefore, Ex-pack had a compliance manager who is responsible for risk identification and managing regulatory risk of the company.

A black and white photograph of an industrial worker wearing a face mask and a light-colored short-sleeved shirt, standing on a metal platform and operating a control panel. The panel features a digital display and numerous buttons. In the background, there are large industrial tanks and a staircase. A large red diagonal overlay covers the left and bottom portions of the image. The text 'sharing Our Values' is superimposed on the red area.

sharing

Our Values

SRS

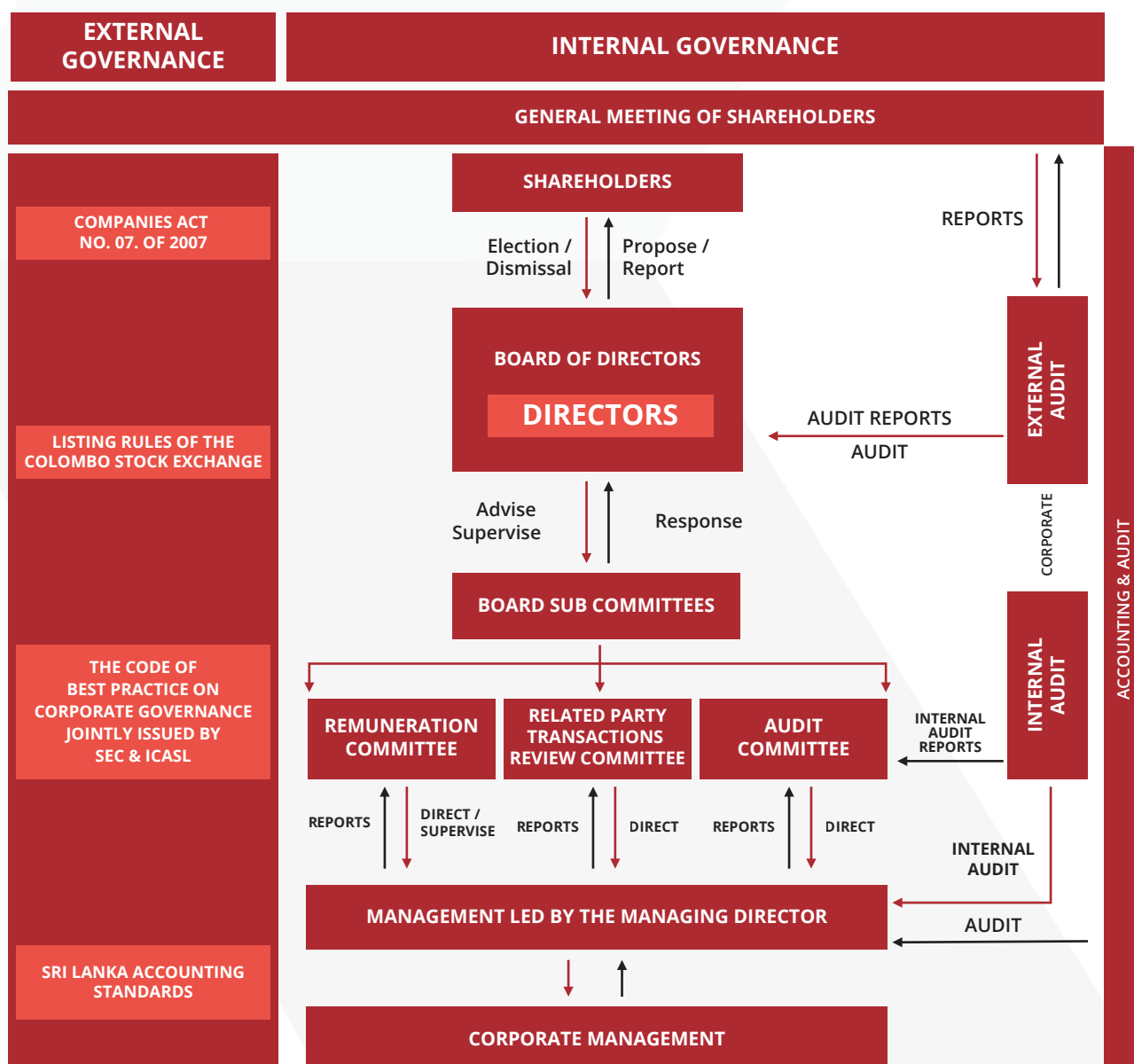
6. GOVERNANCE

“Corporate Governance is the Cornerstone of any Good Business.”

A company's corporate governance is important to all the stakeholders of the company since it shows a company's direction and business integrity. Governance refers specifically to the set of rules, controls, policies, and resolutions put in place to determine corporate behavior. The board of directors plays a pivotal role in governance and Ex-Pack believes its well-structured corporate governance framework helps to cultivate a company culture of integrity, leading to positive performance and a sustainable business overall.

6.1 Governance Structure

The Company's Corporate Governance framework is well structured clearly specifying the key elements of external and internal structures, while adopting the Corporate Governance framework into the management systems, to ensure investor protection and deliver the maximum prolific outcome to the shareholder value while ensuring the sustainable development and financial viability by creating a long-term investment opportunity for shareholders of the Company. The governance structure of the company is depicted below;



BOARD OF DIRECTORS



SATTAR KASSIM
Non-Executive
Non-Independent Director/
Chairman



ZULFICAR GHOUSE
Executive
Non-Independent Director/
Managing Director



ABDULLAH KASSIM
Executive
Non-Independent Director



SHAFIK KASSIM
Non-Executive
Non-Independent Director



THULCI ALUWIHARE
Non-Executive
Independent Director



DINESH DHARMADASA
Non-Executive
Independent Director



SHEHARA DE SILVA
Non-Executive
Independent Director

6.2 Board of Directors and Profiles

As at 31st July 2021, The Board comprised 7 Directors of whom 3 are Non-Executive Independent Directors, 2 Non-Executive Non-Independent Directors, and 2 Executive Non-Independent Directors.

NAME	DESIGNATION
SATTAR KASSIM	Non-Executive Non-Independent Director/Chairman
SHAFIK KASSIM	Non-Executive Non-Independent Director
ZULFICAR GHOUSE	Executive Non-Independent Director/Managing Director
ABDULLAH KASSIM	Executive Non-Independent Director
THULCI ALUWIHARE	Non-Executive Independent Director
DINESH DHARMADASA	Non-Executive Independent Director
SHEHARA DE SILVA	Non-Executive Independent Director

SATTAR KASSIM

Non-Executive Non-Independent Director / Chairman

Mr. Sattar Kassim is a founding director of Expolanka Holdings PLC, which today is a global diversified conglomerate with interests in Logistics, Leisure, International Trade, and Technology. He is a Founder and Group Director of Aberdeen Holdings (Pvt) Ltd, yet another diversified conglomerate with a portfolio spanning across various industry sectors including Aviation, Commodities, Agriculture and Farming, Tea and Coffee, Pharmaceuticals, Packaging, Power and Energy, Recycling, Transport, Logistics, Courier and Supply Chain. The group also has strategic investments, including the country's pioneers in Oceanic Fish Farming, along with numerous international partnerships and ventures spanning over 30 countries.

Mr. Sattar Kassim is a Non-Executive Director of Vidullanka PLC and serves as the Chairman of the Board for many organizations namely Bio Extracts (Pvt) Ltd, the Largest Black Seed Extractor in South-East Asia; Roar Media (Pte) Ltd, a South Asian Multilingual Media Platform; Ruhunu Farms (Pvt) Ltd, a 15-acre state-of-the-art poultry farm; Globe Air (Pvt) Ltd, General Sales Agents (GSA) for Saudi Arabian Airlines' Cargo; HiEnergy Services (Pvt) Ltd, a leading solar energy service provider;

Lanka Commodity Holdings (Pvt) Ltd, an end-to-end supply chain solution of importing and distribution of Agriculture Commodities and owner of 'Expo Cement' brand of ordinary Portland cement; and Expo Commodities Global (Pvt) Ltd; a leading supply chain specialist for the spice industry.

He also holds directorships in Fits Aviation (Pvt) Ltd, Fits Retail (Private) Limited, Lanka Commodity Holdings (Pvt) Ltd, Expoceylon Pharmaceuticals (Pvt) Ltd, Expoteas Ceylon (Pvt) Ltd, Lanka Commodity Trading (Pvt) Ltd, Aberdeen Produce (Pvt) Ltd, Colombo Realty (Pvt) Ltd, Classic Enterprises (Pvt) Ltd, Neptune Recyclers (Pvt) Ltd, Denshun Industries (Pvt) Ltd, Fairfax Holdings Pte. Ltd, Antler Foundry (Pvt) Ltd, Expo Commodities DMCC, Roar Advertising (Pvt) Ltd, and Expoasia Holdings (Pvt) Ltd among others.

ZULFICAR GHOUSE

Executive Non-Independent Director / Managing Director

Mr. M. Zulficar Ghouse currently functions as the Managing Director of Ex-pack Corrugated Cartons Limited, a leading Corrugated Carton Manufacturer in Sri Lanka. He also serves as the Group Director of Aberdeen Holdings (Pvt) Ltd and as the Chairman of Amana Takaful PLC.

A Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management

Accountants, trained at KPMG, Zulficar has over 31 years of extensive expertise in the Senior Management position in the private sector organisations, both local and overseas.

Zulficar held many directorships in his career spanning over 31 years. These include Country Manager EDS Philippines, and Managing Director of EDS Lanka (Pvt) Limited, subsidiaries of Royal Clicks Limited, a company listed on the Singapore Stock Exchange. Director/CEO of Colombo Land & Development Co Limited, a company listed in the Colombo Stock Exchange. Asiabike Industrial Limited, pioneers in bicycle manufacturing and exporting mainly to countries in the European Union. He also served as an Independent Director at Vidullanka PLC, a company listed in the Colombo Stock Exchange, from 2007 to January 2019, Muvumbe Hydro (Uganda) Limited, Norfolk Foods (Pvt) Ltd, Vidul Engineering (Pvt) Ltd, Gurugoda Hydro Pvt Limited, Muvumbe Hydro (Uganda) Limited & Lower Kotmale Oya Hydro (Pvt) Ltd.

Zulficar is a professional of wide interests and held several positions at the International Chamber of Commerce Sri Lanka Branch from 2002 to 2017, including Senior Vice President and Treasurer. He also held the post of Treasurer of the National Chamber of Exporters in 2016 & 2017. He served as a Founding Committee Member of the Philippines-Sri Lanka Business Council and the IT Faculty of the Institute of Chartered Accountants of Sri Lanka.

Also served the Institute as a member of the Strategic Management and Accounting Faculty and the Public Lectures Committee. He is an Industrial Specialist for the Annual Accounts Awards conducted by the Institute of Chartered Accountants of Sri Lanka in 2005 and 2007. Zulficar has given numerous lectures on Balanced Scorecard at the Postgraduate Institute of Management, Sri Jayewardenepura, IT Faculty of Colombo University, and the Chartered Institute of Management Accountants. In addition, he has been the nominee representative of the Institute of Chartered Accountants of Sri Lanka in the panel of Judges at the Sri Lankan Entrepreneur of the Year Award for 2003 and 2004 and the National Best Quality Software Awards organized by the British Computer Society from 2005 to 2014.

ABDULLAH KASSIM
Executive
Non-Independent Director

Abdullah Kassim is a results-oriented professional with over 10 years of experience in senior management, specializing in Business Process Re-Engineering, Mergers & Acquisitions, Strategy, and General Management.

His portfolio spans over several industries, including Environmental Management, Sustainability, Financial Services & Insurance, among others. Despite his young age, Abdullah made his mark on ExpoLanka Holdings as its Head of Business Development, aiding its transition from a privately held to public business. He was also instrumental in the revitalization of the Sri Lankan-based recycler Neptune Papers, which saw a complete turnaround upon his takeover.

Abdullah holds a First Class (Hons.) BBA from Staffordshire University, UK, and an M.Sc. in International Business & Management from Manchester Business School, University of Manchester, UK.

SHAFIK KASSIM
Non-Executive
Non-Independent Director

Mr. Shafik Kassim is a widely renowned icon and pioneer in the domestic air travel industry. He presently serves as the Chairman of Fits Air (formerly Expo

Air), the country's largest private airline operating scheduled passenger service within Sri Lanka as well as international cargo flights to several cities across countries in three continents.

Mr. Shafik Kassim is a founding director of Expolanka Holdings PLC, a global diversified conglomerate with interests in Logistics, Leisure, International Trade, and Technology. Today, the group's Logistics arm is a leader in global supply chain solutions with 60+ owned offices in 29 countries. He is a founding Director of Aberdeen Holdings (Pvt) Ltd, a privately held conglomerate formed by the Kassim family prior to Expolanka's travel and transport sector going public, with a growing portfolio spanning across various industry verticals including Aviation, Commodities, Agriculture, and Farming, Tea and Coffee, Pharmaceuticals, Packaging, Power and Energy, Recycling, Transport, Logistics, Courier and Supply Chain. The group also has strategic investments, including the country's pioneers in Oceanic Fish Farming, along with numerous international partnerships and ventures spanning over 30 countries.

He holds a degree in Commerce and is a licensed Pilot. He is well known for his strong business acumen and exceptional negotiation skills which helped transform the former Expolanka Holdings and currently Aberdeen Holdings to the pinnacle in their respective industrial sectors.

THULCI ALUWIHARE
Non-Executive /
Independent Director

Thulci Aluwihare, is a reputed business strategist and financial advisor with International experience in corporate wealth creation through investment, divestiture, and capital raising, and restructuring with over 20 years of work experience in London, Melbourne, and Colombo.

Thulci is the Assistant Managing Director of CHEC Port City Colombo (Pvt) Ltd, which is the Project Company undertaking the development of an extension to the Colombo CBD – the Colombo Port City. It is the largest

Public Private Partnership in Sri Lanka to date with an initial investment of USD 1.4 billion. The total expected investment for development is in excess of USD 15 billion.

Thulci was a member of the Colombo International Financial Centre (CIFIC) – Steering Committee Task Force and worked closely with the Government of Sri Lanka in setting up the first services-oriented Special Economic Zone in Port City. With the enactment of the Colombo Port City Economic Commission law, Thulci's primary role now is to promote investments and create a destination appeal for International businesses to set up in Port City.

He is currently serving as a Non – Executive Independent Director of Abans Finance PLC. He also serves as a member of the Investment Advisory Panel of a reputed Asset Management Company who manages two licensed Unit Trust Funds in Sri Lanka. Prior to joining CHEC Port City Colombo (Pvt) Ltd, Thulci was the Head of Mergers & Acquisitions at PwC, Sri Lanka, and the Maldives. He spent 14 years with PwC including at the PwC Melbourne office where he was involved in large cross-border MNC transactions.

Thulci was also selected to the Global PwC Panel of Trainers for Mergers & Acquisitions and successfully conducted training for Managers in the Advisory University Programs held in Copenhagen, Stockholm, Dublin, Rome, Warsaw, and Abu Dhabi.

Thulci is an Economics graduate from the University of West London, UK, and holds an MSc in Financial Economics from the University of Colombo.

DINESH DHARMADASA
Non-Executive Independent Director

Mr. Dinesh Dharmadasa a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accounts – UK, commenced his career as a finance professional at KPMG.

He subsequently joined Ceylon Tobacco Ltd Plc (CTC), a subsidiary of British American Tobacco (BAT) in 1990 at the level of Finance Manager and rose to the position of Director – Legal and External Affairs in 2005. He completed his illustrious career at CTC in 2019.

As Director of Legal and External Affairs and also as a Senior Member of the Executive Committee/Company Secretary, Dinesh oversaw the areas of regulatory and legal affairs, trade and fiscal affairs, internal and external communications, CSR, and sustainable business initiatives.

During his tenure, CTC became 'The Most Valuable Company' on the Colombo Stock Exchange and at the same time, established an overall business strategy to become sustainable in the long term, whilst delivering exceptional double-digit profit growth, thus making CTC a strong profitable Business Unit in the Asia Pacific Region. The implemented strategies made CTC – Sri Lanka one of the most profitable tobacco companies in Asia and is one of the top 20 most profitable companies in BAT and the most valuable company (Market Cap) on the Colombo Stock Exchange.

He was the founder Director and Instrumental in Strategizing and implementing Outreach Projects (Guarantee) Limited, a groundbreaking CSR project introducing a unique home gardening concept costing over LKR 1 billion and benefiting over 20,000 families over the past 10 years.

Dinesh also served as the Chairman of the Industrial Association of Sri Lanka from 2016 to 2018. During his tenure, he developed strong links with stakeholders, public sector officials, multilateral agencies based in Sri Lanka, and local and overseas Chambers formulating strategies for a balanced and steady industrial growth. He also served as a board member of the Ceylon Chamber of Commerce during the periods 2012 – 2014 and 2016 to 2018 and also a Board Member of CIMA – Sri Lanka in 2016.

SHEHARA DE SILVA

Non-Executive Independent Director

An international communication specialist and brand builder, Shehara De Silva has over 30 years of experience in media, marketing, strategic planning, advocacy and competitiveness consultancy in Malaysia, Sri Lanka and East Asian markets.

She has held senior-level posts in private, multinational, Government and development organizations with a focus on Public-Private Partnerships, strategic social responsibility, and Gender equality. She holds Non-Executive Board Directorships at Keells Foods PLC, Sarvodaya Development Finance, The Neelan Tiruchelvan Trust (NTT), Informatics Institute of Technology(IIT), Optima Design PVT. Ltd and Quickshaws (Pvt) Ltd. She has been previously on the board of the Arthur C. Clarke Centre for Science and Technology, Eagle Fund Management and Tharuna Aruna (Sri Lanka National Youth Employment Network), The Biomass Group (Sg), The Environment Foundation Limited, The Music Project, and the Threads of History Museum.

She has held several posts in her career, as the first woman to be appointed to such a position. These include Deputy Director General of the BOI (Board of Investment) and the first woman to head sales in Insurance as GM-Sales and Marketing Janashakthi Insurance. She has also helped manage the brand transformations of Singer in retailing, Janashakthi in Insurance, and NDB in banking.

Shehara spent over a decade in Malaysia where she headed strategy in several Omnicom-related companies of Foetus International Malaysia's leading diversified advertising and communication group. She was also Managing Director of Interbrand Malaysia, ranked No 1 Brand Consultancy under her watch.

Most recently, she was Deputy Program Director USAID/IESC Youlead program. She has also worked in the development sector with ILO, Internews, USAID, NORAD, GIZ, and Plan International. She co-authored two detailed studies on the competitiveness of family-owned businesses in Sri Lanka, (Hemas Group and CBL- Ceylon Biscuits Limited) used as MBA texts; a Pan-Government communication toolkit for Peace and reconciliation in Sri Lanka, and a 5-year National plan on Gender and disability.

She has sat on several advisory boards and think tanks, judged and mentored several start-ups and Innovation and Leadership awards from the Eisenhower fellowship and Ray awards to MIT global start-ups and the Roger Herschel Creativity Award, WIM NG Awards, GIZ Historical Dialogue Film Awards etc.

She has spoken extensively at international conferences on branding, strategy and gender issues and won several international marketing and women in leadership awards. 'Women & Leadership: Top 50 Power Women' (Echelon Magazine), Woman Leader in Finance and Woman on Boards (Women in Management), World Women Super Achiever (World Women Leadership Congress), Brand Leadership (CMO Asia), and DDB Pinnacle Award amongst others.

CORPORATE MANAGEMENT TEAM

EX-PACK CORRUGATED CARTONS PLC



ZULFICAR GHOUSE
Managing Director



MOHAMED RIYAZ
Chief Executive Officer



DEEPAL PERERA
Head of Sales



AZHAR SHERIFF
Head of Human Resources
and Compliance



AHAMED MURSHID
Head of
Process Improvement



ABDUL LATIFF AHAMED
Head of Finance



SHARFAZ ABDEEN
Head of
Credit Management



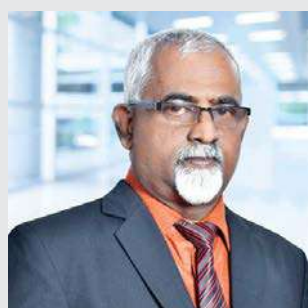
JUMARDEEN DHARWESH
Head of Factory Operations



MOHAMED SHAMIL
Finance Manager



SUDATH SERASUNDARA
Senior Sales Manager



JERAD PERERA
Production Manager



NISANKA WEERASEKARA
Quality Assurance Manager

6.3 Corporate Management Team Profiles of Ex-Pack Corrugated Cartons PLC

ZULFICAR GHOUSE

Managing Director

Zulficar joined the organization in 2009. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Institute of Certified Management Accountants. With more than 27 years of experience in senior management positions both internationally and locally in multinational & listed companies. He currently holds Directorships in Aberdeen Holding PLC, Vidullanka PLC, Muvambe Hydro (Uganda) Ltd, and several other companies. He has held the positions of Senior Vice President of the International Chamber of Commerce - Sri Lanka and served as a member of the Judging Panel for the Sri Lankan Entrepreneur in 2003 and 2004 and The Best Quality Software Award organized by the British Computer Society in 2004 – 2012. (The detailed profile is given under the Board of Directors)

MOHAMED RIYAZ

Chief Executive Officer

Joined the organization in 2008, Riyaz Counts over 25 years of Management Experience in Production Related Entities in Sri Lanka and Overseas. He was the Past President and is currently Secretary of the Lanka Corrugated Cartons Manufacturers Association which is a member of the Asian Corrugated Case Association – Singapore. He also functions as the treasurer of the Association of Packaging Consultants (APC) and serves as an Executive Committee member of the Sri Lanka Institute of Packaging as well as the Asian Corrugated Case Association – ACCA.

DEEPAL PERERA

Head of Sales

Deepal joined the organization in 2002. He is a member of the Chartered Institute of Marketing, Post Graduate Diploma in Marketing UK, has obtained his MBA from American City University, and has also received his Doctorate in

Entrepreneurship from ICFAI Institute. Deepal has more than 20 years of experience in blue chip and multinational corporations both local and overseas covering the whole gamut of strategic functions of Business Management and strategic management functions such as Marketing, Human Resource Management, Operations Management, and Administration.

AZHAR SHERIFF

Head of Human Resources and Compliance

Azhar joined Ex-pack in 2007. He has obtained an MBA from Cardiff Metropolitan University in the UK and is a Professional Member of the Association of Human Resources Professionals of Sri Lanka. He also holds membership at the National Institute of Occupational Safety and Health. An HR Generalist with experience in administration and HR functions for over 20 years, having served mostly for international companies based in Sri Lanka, Azhar currently heads the HR, Compliance, and CSR activities of the Company. He was the past Secretary and Vice President, Membership of Expolanka Toastmasters Club.

AHAMED MURSHID

Head of Process Improvement

Ahamed joined Ex-pack in the year 2000 in the field of marketing. He is a practicing Six Sigma professional, subsequently promoted to manage key functions of production and factory operations. He was selected by PUM Netherland to undergo extensive training in packaging manufacturing factories in Netherland, France, and Belgium in productivity and process re-engineering. Ahamed has over 19 years of experience and possesses sound knowledge in manufacturing practices and strategy development.

ABDUL LATIFF AHAMED

Head of Finance

Abdul Latiff joined the company in 2008. He is a Licentiate member of the Institute of Chartered Accountants and

did his internship at PriceWaterhouseCoopers (PWC). Has more than 18 years in the field of finance in both local and overseas companies. Latiff is instrumental in organizing the accounting function to finalize the monthly accounts within the 1st working day of the month. He also functioned as a coordinator for the Holding Company during the implementation of Oracle ERP amongst line companies.

SHARFAZ ABDEEN

Head of Credit Management

An Associate of the Sri Lanka Institute of Credit Management, Sharfaz is a founding employee of the company having served for over 24 years in Marketing and the Finance divisions. He has attended several workshops and training conducted by local and international organizations and currently heads the Credit Control Department.

JUMARDEEN DHARWESH

Head of Factory Operations

Dharwesh joined the company in 2009. He counts over 20 years of experience in the management of manufacturing concerns in several companies in Sri Lanka and overseas. He was selected by PUM Netherlands to undergo extensive training in packaging manufacturing factories in the Netherlands, France, and Belgium in productivity and process re-engineering. An excellent communicator, motivator, and change agent.

MOHAMED SHAMIL

Finance Manager

Joined the company in 2014 and has been serving the company for over 8 years. An Associate Member of the Chartered Institute of Management Accountants of the United Kingdom (ACMA – the UK) and having obtained a MBA (Master of Business Administration) from Cardiff Metropolitan University, UK. He completed his internship and audit training at Ernst & Young. He has more than 12 years experience in the field of Finance.

SUDATH SERASUNDARA**Senior Sales Manager**

A veteran corrugated packaging sales personnel having over 30 years of industry experience. Sudath has achieved a Diploma in Sales Management and has been with the Expack Sales Team for over 17 years by now. He has a remarkable passion and commitment to B2B selling and has been a consistent achiever having been recognized as “ **Best Sales Performer**” over the years. Sudath’s client management and relationship building have always been excellent.

JERAD PERERA**Production Manager**

Corrugated packaging production specialist having been in the industry for over 35 years. Technical personnel with impressive track records having exposure to the whole gamut of production & operations processes in corrugated packaging currently serving as the Production Manager. His contributions have been remarkable to recent operational improvements at Expack.

NISANKA WEERASEKARA**Quality Assurance Manager**

Nisanka initially commenced as a production specialist and turned into a Quality Assurance professional. Joined Expack in the year 2007 and served for the last 15 years with dedication and commitment in the capacity of Quality Assurance Manager. He has undergone extensive in-house and external training on Quality Assurance and technical aspects being knowledgeable in his expertise.

CORPORATE MANAGEMENT TEAM OF NEPTUNE PAPERS (PVT) LIMITED



6.4 Corporate Management Team Profiles of Neptune Papers (Pvt) Limited

ABDULLAH KASSIM

Executive

Non-Independent Director

Abdullah Kassim is a results-oriented professional with over 10 years of experience in senior management, specializing in Business Process Re-Engineering, Mergers & Acquisitions, Strategy, and General Management.

His portfolio spans over several industries, including Environmental Management, Sustainability, Financial Services & Insurance, among others. Despite his young age, Abdullah made his mark on ExpoLanka Holdings as its Head of Business Development, aiding its transition from a privately held to public business. He was also instrumental in the revitalization of the Sri Lankan-based recycler Neptune Papers, which saw a complete turnaround upon his takeover.

Abdullah holds a First Class (Hons.) BBA from Staffordshire University, UK, and an M.Sc. in International Business & Management from Manchester Business School, University of Manchester, UK.

RIZAN JAUFFER

Executive Director

Rizan Jauffer is a seasoned business professional equipped with experience of over one and half decades in the Paper Industry and he is considered as a pioneer and a forerunner in the Waste Management Industry in

Sri Lanka with significant contributions to the industry over the years. He joined the group in 2005 as the Manager - of Commercial and Finance. Rizan holds a BBA in Business Administration from the University of Colombo and Associate Member of Certified Management Accountants Australia.

CHATHURANGA ABEYRATNE

Executive Non-Independent Director

Mr. Abeyratne was appointed as an executive director of Neptune Papers (Pvt) Ltd on 01 May 2022. He joined the Aberdeen Group on August 2021 as the Group CFO and has a wealth of experience in financial and operational management in both public quoted and multinational companies with exposure to various industries namely FMCG, Apparel, Trading, Retail and Diversified holdings.

He is a triple qualified accountant with a fellow membership from ACCA-UK and associate memberships from CIMA-UK, and CA Sri Lanka. Mr. Abeyratne also holds a BSc from University of Colombo, while holding a MBA from Cardiff Metropolitan University UK. In addition, he is a Certified Tax Consultant graduated through CA Sri Lanka and holds a black belt in Lean Six Sigma. Mr. Abeyratne has extensive experience in strategic planning and execution and was instrumental in driving digital transformation and developing performance driven cultures in various organizations with hands on experience

in managing operations, budgeting and forecasting, treasury management, ERP implementations and data analytics.

FAZLEEN MAJEED

Chief Executive Officer

Fazleen Majeed joined the Group in 2003 and has gained diverse exposure in the Holding Company's Group Finance Division by spearheading wide-ranging Group Finance-related activities including Group Restructure, Financial Policy Development, and Group Financial Reporting. Qualified in the fields of Business Administration, Finance, Marketing, and Human Resources Management, Fazleen's experience and contribution gained momentum at Neptune Papers where he showcased smart operational, people management, change management, and leadership skills. He has played a pivotal role in the company's cultural transformation, strategy implementation, and sustainable growth.

6.5 Annual Corporate Governance Report

Ex-Pack ensures the adoption of the highest standards of Corporate Governance requirements recommended by the Code of Best Practices on Corporate Governance compiled by the Securities and Exchange Commission of Sri Lanka in collaboration with the Institute of Chartered Accountants of Sri Lanka and the principles of corporate governance set out in the Code on Corporate Governance.

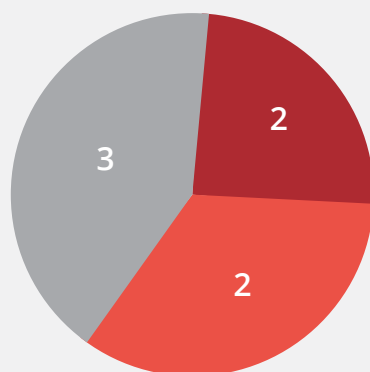
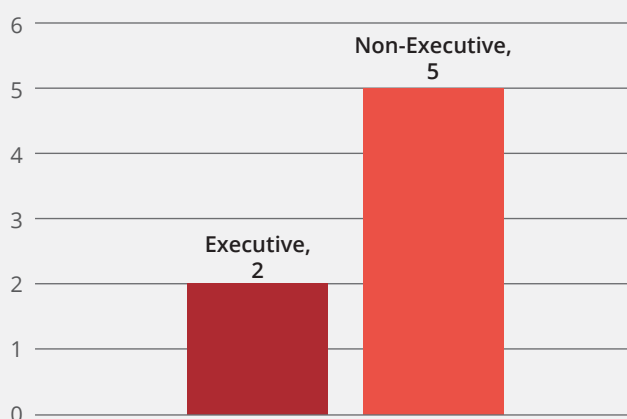
The Board of Directors is fully responsible to its shareholders and statutory bodies and all other stakeholders of the Company to ensure that the Company is growing sustainably while creating a strong Corporate Governance environment and a framework to ensure investor protection and confidence. Hence, the Board of Directors provides strategic direction to the management to develop short-term, medium-term, and long-term corporate business strategies, while providing the necessary guidance on each element of business operations to ensure the sustainable development of the Company, thereby ensuring investor protection, confidence, and the best interest of other stakeholders.

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.

Members of the Board collectively and individually recognise their duty to comply with the legal and regulatory provisions applicable to the Company and also the Board ensures that procedures and processes are in place to ensure that the Company and its subsidiaries comply with all applicable legal and regulatory provisions respectively.

6.5.1 Board Composition

The Board consisted of 7 Directors out of which 5 were non-executive directors. The names and profiles of the Directors are given in pages 47 to 49 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 Independence set out in the Listing Rules, and annually each Non-Executive Director declares her/his independence/non-independence compliance with the relevant statutory regulations.



- Non-Executive Non-Independent Director
- Executive Non-Independent Director
- Non-Executive Independent Director

6.5.2 Independence

Accordance with the CSE Listing Rules and Independent Non-Executive Directors have submitted declarations of their independence up on appointments and during the year as required.

The Independence of all its Non-executive directors was reviewed on the basis of criteria given by the CSE Listing Rules 7.10.4 as follows;

Non-executive director shall not be considered independent if he/she,

- a. has been employed by the Listed Entity during the period of two years immediately preceding appointment as director;
- b. currently has/had during the period of two (2) years immediately preceding appointment as a director, a Material Business Relationship with the Listed Entity, whether directly or indirectly;
- c. has a Close Family Member who is a director, Chief Executive Officer (and/or an equivalent position) in the Listed Entity;
- d. has a 10% Shareholding in the Listed Entity;
- e. has served on the board of the Listed Entity continuously for a period exceeding nine (9) years from the date of the first appointment; provided however, if such director is re-appointed after a period of two (2) years from the date of completion of the preceding nine (9) year period,
- f. is employed in another company or business,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) in which a majority of the other directors of the Listed Entity have a 10% Shareholding or Material Business Relationship; or
 - (iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection;
- g. is a director of another company,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) that has a Business Connection in the Listed Entity or a Significant Shareholding;
- h. has a Material Business Relationship (income or non-cash benefits equivalent to 20% of the director's income) or a Significant Shareholding in another company or business,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or
 - (ii) which has a Business Connection (transaction value equivalent to 10% of the turnover) with the Listed Entity or 10% Shareholding in the same.

No Non-Executive Independent Director has a conflict of interest as per the criteria for independence outlined above.

6.5.3 Responsibilities of the Board

The core responsibility of the Directors is to exercise their judgment to act in what they reasonably believe to be the best interest of the Company and for the creation of long-term value and return for shareholders. Further, the Board seeks independent professional advice when deemed necessary.

The Board is responsible for the achievement of the Group's overall performance objectives, accurate and efficient financial plans, annual budgets, major investments, divestment, evaluation, and assessment of funding proposals, risk management, and ensuring corporate governance practices are adhered to.

To ensure the efficiency and effectiveness of the delegation of responsibilities and to provide independent oversight of Management, the Board has established a number of Board Sub Committees, including the Audit Committee, the Remuneration Committee, and the Related Party Transactions Committee. These committees are primarily consisting of Non-Executive Directors. The respective roles and responsibilities of each Board Sub-Committees are included in this report.

6.5.4 The Chairman and Chief Executive Officer

There is a clear demarcation of the responsibilities between our 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.

6.5.5 The role of Chairman

The Chairman is responsible for leading the Board and focusing it on strategic matters, overseeing the company's business, and setting effective and efficient governance standards. He plays a pivotal role in fostering the effectiveness of the Board and individual Directors, both inside and outside the board room. The Chairman meets with the Independent Non-Executive Directors as and when necessary.

6.5.6 The role of Chief Executive Officer

The managing director executes the role of Chief Executive Officer at Ex-Pack where he directs and oversees the business's overall strategic direction by developing effective and competitive business strategies. Also, Managing Director reports to the Chairman and the Board and is responsible for leading the day-to-day operation of the company within the authority delegated by the Board.

6.5.7 Financial Acumen

The Board of Ex-pack 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.

6.5.8 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 with 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 contributions to 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.

6.5.9 Board Meetings

The Board meets regularly at least 04 times a year at quarterly intervals and holds additional meetings as and when the Board thinks appropriate. In addition to these Pre-Board meetings, the Board of Directors communicates, as appropriate, when issues of strategic importance requiring extensive discussions arise. During the year under review, 04 Board meetings were held. All meetings were presided over by the Chairman.

The Audit Committee, RPT committee and the Remuneration Committee was appointed on the 7th of July 2021 and since then they have had the below meetings, whereas attendance at the Board meetings held during the financial year 2021/22 is given below:

	ATTENDANCE	Dates of the Meetings				
		07.07.2021	07.10.2021	31.10.2021	14.02.2022	%
EXECUTIVE NON-INDEPENDENT DIRECTORS						
* Mr. Mohamed Zulficar Mohamed Ghouse		✓	✓	✓	✓	100%
* Mr. Abdulah Osman Kassim		✓	✓	✓	✓	100%
NON-EXECUTIVE NON-INDEPENDENT DIRECTOR						
* Mr. Sattar Kassim		✓	✓	x	✓	75%
* Mr. Shafik Kassim		✓	x	✓	x	50%
NON-EXECUTIVE INDEPENDENT DIRECTOR						
* Mrs. Shehara De Silva		✓	✓	✓	✓	100%
* Mr. Ukwatte Kankanamage Dinesh Dharmadasa		✓	✓	✓	✓	100%
* Mr. Wanigasekara Bandaranayake Wasala Mudiyanse Ralahamilage Aluwihare Mahawalawwe Thulci Goutham Aluwihare		✓	✓	✓	✓	100%
✓ Present x Excused						

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

The Audit Committee report including the subjects reviewed during the financial year 2021/22 is reported in detail on pages 60 to 62.

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 63 to 64.

c. Related Party Transactions Review Committee

The Related Party Transactions Review Committee consists of Non Executive and Independent Directors. 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 65 to 66. All related party transactions as defined by the applicable accounting standards are disclosed on note 27.1 of the Financial Statements on pages 129 of this Annual Report.

6.5.11 Access to Independent Professional Advice

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

6.5.12 Company Secretary

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for 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.

6.5.13 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 judgment. This enables them to act critically and independently in the best interest of the Company.

6.5.14 Dedication of Adequate Time & Effort

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

6.5.15 Training for the Directors

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

6.5.16 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.

6.5.17 Availability of a Nomination Committee

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

6.5.18 Appointments to the Board

The Company has a formal and transparent procedure for the appointment of new Directors to the Board. 04 directors have been appointed during the financial year of 2021/2022.

6.5.19 Re-Election of Directors

To re-elect as a Director, Mr. Shafik Kassim who retires by rotation in terms of Article 78 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director.

To re-elect as a Director Mr. Ukwatte Kankanamage Dinesh Dharmadasa who was appointed subsequent to the last Annual General Meeting as director of the Company in terms of Article 85 of the Articles of Association of the Company.

To re-elect as a Director Mr. Abdullah Osman Kassim who was appointed subsequent to the last Annual General Meeting a director of the Company in terms of Article 85 of the Articles of Association of the Company.

To re-elect as a Director Mrs. Shehara De Silva who was appointed subsequent to the last Annual General Meeting as director of the Company in terms of Article 85 of the Articles of Association of the Company.

To re-elect as a Director Mr. Wanigasekara Bandaranayake Wasala Mudiyanse Ralahamilage Aluwihare Mahawalawwe Thulci Goutham Aluwihare who was appointed subsequent to the last Annual General Meeting as director of the Company in terms of Article 85 of the Articles of Association of the Company.

6.5.20 Appraisal of Board Performance

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

6.5.21 Disclosure of Information in Respect of Directors

The names of the Directors and their profiles are disclosed on page 45 to 49 of this Annual Report. Directors' interests in contracts are indicated in Note 27.1 of the Financial Statements on pages 129 of this Annual Report.

6.5.22 Appraisal of Chief Executive Officer

The performance of the Chief Executive Officer is evaluated annually.

6.5.23 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. A separate resolution is proposed at an Annual General Meeting on each substantially 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.

6.5.24 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.

6.5.25 Major Transactions

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

6.5.26 Directors' Interest in Contracts with the company

Related party disclosures as per the Sri Lanka Accounting Standard – LKAS 24 on "Related Party Disclosures" is disclosed in Note 27.1 to the Financial Statements on pages 129 of this Annual Report. In addition, the Company carries out transactions in the ordinary course of business on an arm's length basis with entities where the Chairman or a Director of the Bank is the Chairman or a Director of such entities.

6.5.27 Financial Reporting

The Board's responsibility to present the Financial Statements accepted in the Statement of Directors' Responsibility shown on page 56. The report of the directors on the state of affairs of the Company is given on this Annual Report on pages 67. The Auditor's Report on the Financial Statements for the year ended 31st March 2022 is presented on pages 89 to 133 of this Annual Report. The management discussion and analysis of the company are covered from Chairman's Review on pages 17 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.

6.5.28 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 offense that is subject to disciplinary action.

6.5.29 Material Issues pertaining to Employees and Industrial Relations of the Entity

There are no material issues reported pertaining to employees and industrial relations of the entity during the financial year ended 31st March 2022.

6.5.30 Internal Controls

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 responsible for identifying, evaluating, and monitoring the risks facing the Company and for deciding how these are to be managed. In addition to an 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 incidents, or events that have had a major commercial impact, or any significant new risks which have been identified.

6.5.31 Disclosures to the Public, SEC and CSE

The Board of Directors, in conjunction with the Audit Committee where applicable, is responsible for ensuring the accuracy and timeliness of published information. The quarterly financial statements along with the explanatory notes are disclosed and published to all company's stakeholders by the Company in accordance with the SLAS, Listing Rules of the Colombo Stock Exchange, and Securities and Exchange Commission of Sri Lanka.

Furthermore, any other material and financial and non-financial information which are price sensitive information about the Company is promptly communicated to the CSE, and such information is also released to all stakeholders including employees, shareholders and regulatory authorities, and the press.

6.6 Board Committee Reports

6.6.1 Report of the Board Audit Committee

I am pleased to present the report of the Audit Committee for the financial year ended 31st March 2022. During the year under review, the committee has successfully reviewed and reported to the Board on its functions in order to ensure accurate and timely disclosure and transparency, integrity, and quality of financial reporting. Further, the Audit Committee also assesses the effectiveness of the risk review process and systems of internal control on a regular basis and this report describes its key functions and performance during the year ended 31st March 2022.

■ Composition of the Committee

during the year under review, the Board Audit Committee is comprised of the following members. Profiles of the members as at 31st March 2022 are given on pages 45 to 49.

Name	Designation
Dinesh Dharmadasa	Non-Executive Independent Director - Chairman of Audit Committee
Thulci Aluwihare	Non-Executive Independent Director
Shehara De Silva	Non-Executive Independent Director

The Managing Director, Chief Executive Officer, Chief Financial Officer and Finance Manager are regular invitees for all Committee meetings.

■ Secretary of the Committee

The Assistant Manager – Corporate Secretarial and Compliance of the Group is the Secretary of the Committee.

■ 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 two (02) meetings (held every quarter post lifting) , and the attendance of the Committee members are given below;

Name of the Director	Eligible to attend	Attended
Dinesh Dharmadasa	2	2
Thulci Aluwihare	2	2
Shehara De Silva	2	2

■ Role of the audit committee

The primary purpose of a company's audit committee is to provide oversight of the financial reporting process, the audit process, the company's mechanism of internal controls, identification of risk and measurements and compliance with laws and regulations. Hence the responsibilities of the committee are;

- Review the quarterly and annual financial statements, including quality, transparency, integrity, accuracy, and compliance with accounting standards, laws, and regulations.
- Assess the adequacy and effectiveness of the internal control environment in the Group and ensure appropriate action is taken on the recommendation of the internal auditors.
- Evaluate the competence and effectiveness of the risk management systems of the Group and ensure robustness and effectiveness in monitoring and controlling risks.
- Review the adequacy and effectiveness of internal audit arrangements.
- Recommend the appointment, re-appointment, and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources, and independence.

■ Activities

- Overseeing the preparation, presentation, and adequacy of disclosures in the financial statements of the company in accordance with Sri Lanka Accounting Standards.
- Overseeing the company's compliance with financial reporting requirements, information requirements of the Companies Act, and other relevant financial reporting-related regulations.
- Overseeing the processes to ensure that the company's internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.
- Assess the independence and performance of the external auditors.
- To propose recommendations to the board pertaining to appointment, re-appointment, and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

■ Compliance with Rules and Regulations

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.

■ Financial Reporting

- The Committee has reviewed and deliberated the Interim and Annual Financial Statements of the Company prior to publication and has recommended the same to the Board for approval and publication.
- Review of the preparation of the Annual report to ensure the reliability of the process, consistency of the accounting policies and methods, and compliance with Sri Lanka Accounting Standards.

■ External Audit / Independent Auditors

The Committee has reviewed the services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised. As far as the Directors are aware, the Auditors don't have any relationship (other than that of an Auditor) with the Company other than disclosed above. The Auditors also do not have any interest in the Company. For the said reasons the Committee determined that the Auditors are Independent.

The performance of the External Auditors has been evaluated and the Audit Committee has recommended to the Board of Directors that Ernst & Young, Chartered Accountants be re-appointed as Auditors for the financial years ending 31st March 2023 at a remuneration to be determined by the Board, subject to the approval of the Shareholders at the Annual General Meeting.

■ Identification of Risks and Control Measures:

Formal confirmations and assurances were obtained from the senior management of Group companies on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems and compliance with applicable laws and regulations. The committee discussed and reviews remedial measures taken to manage risks that have been identified by the management.

■ Mechanism of Internal Controls:

- The Committee is satisfied that the control environment prevailing in the Company provides reasonable but not absolute assurance that the financial position of the Company is adequately monitored and that the systems are in place to minimize the impact of identifiable risks.
- The Committee also monitors the timely payments of all statutory obligations.

The Committee also monitors the effectiveness of the internal and financial control procedures on the basis of the reports and findings submitted by the Internal and External Auditors of the Company.

■ Conclusion

The Committee reviewed the adequacy of the Internal Audit coverage for the Company and the Internal Audit Plans during the year ended 31st March 2022. The Internal Audit function of the Company is outsourced to KPMG and Reports of the Internal Auditors on the operations of the Company were also reviewed by the Committee. Follow-up action taken on the recommendations of the Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis.

The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit. Also, the External Auditors' final management reports on the audit of the Company and group financial statements for the year were discussed with management and the auditors.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors. Further, the Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest.

The performance of the External Auditors has been evaluated with the aid of a formal assessment process with input provided by the senior management of the Company and the Committee has recommended to the Board that Ernst & Young be reappointed as the Auditor of the company for the financial year ending 31 March 2023, subject to approval by the shareholders at the Annual General Meeting.

[SIGNED]

Dinesh Dharmadasa

Chairman of the Audit Committee

30 August 2022

Colombo

6.6.2 Report of the Board Remuneration Committee

I am pleased to present the report of the Remuneration Committee which describes its key functions and performance during the year ended 31st March 2022.

■ The Composition of the Committee

The Remuneration Committee comprises of two (02) Independent Non-Executive Directors and one (01) Non-Executive Director.

Name	Designation
Sattar Kassim	Non-Executive Non-Independent Director - Chairman of Remuneration Committee
Shehara De Silva	Non-Executive Independent Director
Dinesh Dharmadasa	Non-Executive Independent Director

Sattar Kassim served as the Chairman of the Remuneration Committee while The Assistant Manager – Corporate Secretarial and Compliance of the Group are the Secretary of the Committee functioned as the Secretary to the Remuneration Committee except when own evaluation and remuneration was under discussion. The Accountant assisted the Committee by providing the relevant information for their decision within the terms of reference approved by the Board.

■ Role of the Committee

The Remuneration Committee is responsible for recommending remuneration payable to Executive Directors, Non-executive Directors, and Key managerial personnel including the Chief Executive Officer based on performance parameters. Also, the Committee is responsible for the remuneration structure of the employees of the Company.

Responsibilities of the Committee include a review of and recommendation to the Board on;

- Remuneration policy and framework
- Senior executive's remuneration and incentives schemes.

■ Meeting Attendance

The attendance of the Committee members of the Remuneration Committee during the year under review is tabulated below;

Name of the Director	Eligible to attend	Attended
Sattar Kassim	2	2
Shehara De Silva	2	2
Dinesh Dharmadasa	2	2

The Managing Director attended meetings by invitation.

■ Remuneration Policy

The Remuneration Committee works closely with the Board of Ex-pack and is responsible for recommending remuneration policies to the members of the Board. In terms of the Articles of Association of the Company, remuneration of the Directors must be a sum the Board determines as being fair and reasonable to the Company. The Committee ensures transparency and fairness in remuneration policy, as no Director can decide their remuneration as transparency and fairness are ensured and the policy framework set out by the Company's Human Resources and Finance teams are regularly reviewed. Furthermore, compensation payments to any Executive Directors or members of Senior Management are followed through accordingly to the legal context of the country. The recommendations of the Committee are implemented with the approval of the Board of Directors.

■ Procedure

The Committee is fulfilling the above tasks by reviewing the information relating to the retirement and remuneration of employees. Extension of services not exceeding one year is considered on a case-by-case basis over the retirement age of 55 years. The Remuneration packages are decided on par with market rates and practices and are similar to other establishments. The Committee determines the revision/increments based on performance and makes recommendations to the Board of Directors and upon consideration of such recommendations the Board makes the final determination.

[SIGNED]

Sattar Kassim

Chairman of the Remuneration Committee

30 August 2022

Colombo

6.6.3 Report of the Board Related Party Transactions Review Committee

I am pleased to present the report of the Related Party Transactions Review Committee for the financial year ended 31st March 2022. During the year, the Committee has continued to review and report to the Board on the company's as well as Group's Related Party Transactions in order to maintain the best interest of our shareholders. The Related Party Transactions Review Committee was established in terms of the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka and Section 9 of the Continuous Listing Rules of the Colombo Stock Exchange.

■ The Composition

The Related Party Transactions Review Committee comprises two (02) Independent Non-Executive Directors during the year under review and members of the Ex-pack Related Party Transactions Review Committee are as follows:

Name	Designation
Thulci Aluwihare	Non- Executive Independent Director - Chairman of Related Party Transactions Review Committee
Dinesh Dharmadasa	Non-Executive Independent Director
Shehara De Silva	Non- Executive Independent Director

Thulci Aluwihare served as the Chairman of the Related Party Transactions Review Committee.

■ The objective of the Committee

The objective of the Committee is to exercise oversight on behalf of the Board to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka (The Code) and with the Listing Rules of the Colombo Stock Exchange (CSE).

■ Role of the Committee

The role of the Related Party Transactions Review Committee is to ensure there is firm adherence to the guidelines surrounding related party transactions. The Committee ensures that industry best practices are followed and that the interests of all stakeholders are considered.

■ Meeting Attendance

The attendance of the Committee members of the Related Party Transactions Review Committee during the year under reviewed is tabulated below;

Name of the Director	Eligible to attend	Attended
Thulci Aluwihare	2	2
Dinesh Dharmadasa	2	2
Shehara De Silva	2	2

The Managing Director, Chief Executive Officer, Chief Financial Officer and the Finance Manager are permanent invitees for all Committee meetings.

■ Policies and Procedures

The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transactions Policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database the Company.

All related party transactions must be reported to the Related Party Transactions Committee and referred for approval by the Committee either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to the completion of the transaction.

As at 01st January 2014, LKAS 24 – ‘Related Party Disclosures defines the ‘related party transactions’ as follows;

“A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged”.

Such transactions are also disclosed to stakeholders through the Company’s Financial Statements.

■ **Duties of the Committee**

- Reviewing in advance all proposed related party transactions of the Company except those explicitly exempted by the terms of Rule 9.5 of the Listing Rules of the Colombo Stock Exchange.
- Reviewing if there are any proposed material changes of previously reviewed related party transactions before the completion of the transaction.
- To determine whether related party transactions require the approval of the Board or shareholders of the Company.
- Review and revise policies and procedures on related party transactions as and when require.
- Establishing guidelines for the Senior Management to follow regarding dealings with recurrent related party transactions.
- To ensure that immediate market disclosures and disclosures in the Annual Report are made as required by the applicable rules and regulations in a timely manner.

■ **Related party transactions during the year ended 31st March 2022**

During the year the Committee reviewed the Related Party Transactions during the financial year ended 31st March 2022 and communicated their comments and observations to the Board. Details of other related party transactions entered into by the Company during the above period are disclosed in Note 27 to the Financial Statements.

■ **Declaration**

The Board of Directors have also declared in the Annual Report that there were no Recurrent and Non-Recurrent related party transactions that exceeded the respective thresholds mentioned in Section 9 of the CSE Listing Rules and that the Company has complied with the requirements of the Listing Rules on Related Party Transactions.

[SIGNED]

Thulci Aluwihare

Chairman of the Related Party Transactions Committee

30 August 2022

Colombo

6.7 The Statement of Directors' Responsibility

The responsibility of the Directors in relation to the Financial Statements of the Company and the Consolidated Financial Statements of the Company and its Subsidiaries are set out in the following statement. These differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors given on page 92.

In accordance with the provisions of the Companies Act No.7 of 2007, the financial statements comprise a Statement of Financial Position of the Company and its Subsidiaries which present a true and fair view of the state of affairs at the end of the financial year.

Accordingly, the Board of Directors also wishes to confirm that in preparing the financial statements.

- Appropriate accounting policies have been selected and applied in a consistent manner.
- Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed.
- Presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS).

Further, the Board Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy of the financial position of the Company and of the Group for ensuring that the financial statements comply with the Companies Act No. 07 of 2007.

The Directors are also responsible for taking reasonable measures to safeguard the assets of the Company and of the Group, and in that context to have proper regard to the establishment of appropriate systems of internal control to prevent and detect frauds and other irregularities.

The Directors of the Company are of the view that they have discharged their responsibilities as set out in this statement.

By Order of the Board

[SIGNED]

Company Secretaries

30 August 2022

Colombo

6.8 Managing Director's, Chief Executive Officer's and Chief Financial Officer's Statement of Responsibility

Responsibility

In line with Section D.1.3 of Code of Best Practice on Corporate Governance jointly issued by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Board of Directors presents this report on Internal Control.

The Board of Directors are responsible for the adequacy and effectiveness of the Ex-pack corrugated Cartons PLC systems of Internal Controls. However, the Board recognizes that such systems are designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the strategies and corporate objectives of the Company. Accordingly, the systems implemented can provide only reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses of fraud.

Whilst the board has overall responsibility for the company's system of internal controls, it has delegated the implementation of these internal control systems to the management. The board has established an ongoing process for identifying, evaluating, and managing the risks faced by the Company as stated in the section of Integrated Risk Management in this annual report. Moreover, the monitoring process includes enhancing the systems of internal controls as and when there are changes to the business environment or regulatory guidelines. The Management assists the Board in the implementation of the Board's policies and procedures to mitigate and control risks. Further to implement the recommendation, the internal control systems are subject to the board's regular review with a view to appraising the effectiveness of these systems within the Company.

Key Features of the process adopted in applying and reviewing the design and effectiveness of the Internal Control System on Financial Reporting

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following;

- The Board Committees established by the Board of the Company assists the Board in ensuring the effectiveness of the Group's daily operations and that the Group operations are in accordance with the corporate objectives, strategies, and the annual budget as well as the policies and business directions that have been approved.
- KPMG functions as the internal Auditor of the company that checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational basis and highlights significant findings in respect of any non-compliance. Audits are carried out on all subsidiaries and within the Group in accordance with the annual audit plan which is approved by the Board of Audit Committee. The internal audit plan that covers internal audit coverage and scope of work is presented to Audit Committee and the Board. Further, the annual audit plan is reviewed and approved by the Board of Audit Committee.
- Internal audit reports are submitted to the Audit Committee during its quarterly meetings which encompass the audit findings together with recommendations thereon. The senior and functional line management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.
- In addition to this internal control mechanism, the Company also received extensive and detailed reports and management letters from its external Auditors that primarily focus on financial controls. The management letters were also presented to the Audit Committee for deliberations. In the event of non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required.
- The Board and employees of the Company are committed to adhering to the best practice in corporate governance and observing the highest standards of integrity and behavior in all activities conducted by the Company, including relationships with its customers, suppliers, shareholders, employees, business partners and within the community and environment in which company operates.

- Risk Management is vital for continued profitability and enhancement of shareholder value; hence Risk Management is practiced within the Group on an interactive basis. The Board regards risk management as an integral part of its business operation which oversee the implementation of the risk management framework, periodically review the risk management processes, and ensures that ongoing measures taken were adequate to manage, address or mitigate the identified risks. All new and major investments have to observe a process of approval that includes an evaluation of the associated risks. A Corporate Risk Management Framework was developed by highlighting the process adopted by the Company towards risk identification, evaluation and control, and monitoring. Further detailed information on the Company's risk management activities is highlighted in the Integrated Risk Management Report on pages 41 to 42 of this Annual Report.

Confirmation

Based on the above processes, the Board of Directors confirms that the financial reporting system of the Group has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) and other regulatory requirements.

By order of the Board of Directors of Ex-pack corrugated Cartons PLC,

[SIGNED]

Zulficar Ghouse
Managing Director

[SIGNED]

Mohamed Riyaz
Chief Executive Officer

[SIGNED]

Abdul Latiff Ahamed
Chief Financial Officer

30 August 2022
Colombo

6.9 Statement of Compliance

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.	86
Section 168 (1) b	Financial Statements for the accounting period completed and signed in accordance with section 151.	94
Section 168 (1) c	Auditor's report on the Financial Statements.	90-93
Section 168 (1) d	Change in accounting policies made during the accounting period.	101
Section 168 (1) e	Particulars of entries in the interests register made during the accounting period.	87
Section 168 (1) f	Remuneration and other benefits of directors during the accounting period.	76
Section 168 (1) g	Amount of donations made by the Company during the accounting period.	88
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.	47-49
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.	87
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.	87
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.	88
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.	47-49
Rule 7.6 (ii)	Principal activities of the Entity during the year and any changes therein.	86
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.	135
Rule 7.6 (iv)	The float-adjusted market capitalization, public holding percentage (%), number of public shareholders, and under which option the Listed Entity complies with the Minimum Public Holding requirement.	137
Rule 7.6 (v)	Directors' and Chief Executive Officer's holding in shares of the Entity at the beginning and end of the financial year.	137
Rule 7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	41-42
Rule 7.6 (vii)	Details of material issues relating to employees and industrial relations of the Entity.	59

Rule 7.6 (viii)	Extent, locations, valuations of land and buildings, and investment properties.	111
Rule 7.6 (ix)	Number of shares presenting the Entity's stated capital.	135
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.	136
Rule 7.6 (xi)	Ratios and market price information.	12
Rule 7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of the land if differs substantially from the book value.	111
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	44-69
Rule 7.6 (xvi)	Details of Related party transactions as per the specified criteria.	129

The Company

A. Directors

A.1 The Board

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".

Complied

The Board consists of 7 Directors out of which 5 are non-executive directors. The names and profiles of the Directors are given on page 45 to 49 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.

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

A.1.1 Frequency of Board Meetings

The Board should meet regularly and the Board Meeting should be held at least once a quarter of a financial year.

Complied

The Board generally meets on a quarterly basis, but more frequently whenever it is necessary. During the year under review, 04 Board meetings were held. The meetings were presided over by the Chairman. The attendance by each of the Directors is set out on page 57.

A.1.2 Responsibilities of the Board

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.

Complied

Please refer to "Responsibilities of the Board of Directors" on page 67.

A.1.3 Compliance with laws and access to independent professional advice.

There should be a procedure agreed by the Board of Directors, in furtherance of their duties to take professional advice if necessary.

Complied

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.

A procedure has been established for Directors to seek independent professional advice from external parties when necessary, at the expense of the Company.

<p>A.1.4 Board Secretary</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>	<p>Complied</p>	<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>Business Intelligence (Private) Limited functions as the Secretary of the Board.</p>
<p>A.1.5 Independent judgement</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>	<p>Complied</p>	<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 judgment. This enables them to act critically and independently in the best interest of the Company.</p>
<p>A.1.6 Dedication of adequate time and effort by the Board and Board Committees</p> <p>Every Director should dedicate adequate time and effort to matters of the Board and the Company.</p>	<p>Complied</p>	<p>Adequate time is devoted at every meeting to ensure that the Board's responsibilities are discharged satisfactorily.</p>
<p>A.1.7 Ability to present resolution to the Board</p> <p>One-third of directors can call for a resolution to be presented to the Board where they feel it is in the best interest to the company to do so.</p>	<p>Complied</p>	<p>This was not exercised during the financial year 2021/22.</p>
<p>A.1.8 Induction and Training for Directors</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>	<p>Complied</p>	<p>The policy on Director's training is to provide adequate opportunities for continuous development subject to requirements and relevance for each Director.</p>
<p>A.2 & A.2.1 Chairman and Chief Executive Officer</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>	<p>Complied</p>	<p>There is a clear demarcation of the responsibilities between our Chairman and our Managing Director who look after the duties of the Chief Executive Officer. The functions performed by our Chairman and our Managing Director 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>

A.3 Chairman's Role 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.	Complied	The Chairman of the Board facilitates the effective discharge of Board proceedings. All the Directors are encouraged to participate in decisions 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. Please refer page 56 for the Chairman's role.
A.4 Financial Acumen The Board should ensure the availability within of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Complied	The Board 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 company as well as the Group.
A.5 Board Balance There should be a balance of Executive and Non-Executive Directors so that no individual or small group of individuals can dominate the Board's decision-making.	Complied	All Directors are Non-Executive Directors except Executive Chairman and Mr. Abdullah Kassim. Each of them brings vast experience and the ability to exercise independence and judgement when making informed decisions.
A.5.1 Presence of Non-Executive Directors	Complied	Please refer "Board of Directors" profile on page 45 to 49.
A.5.2 Independent Directors	Complied	Two out of the Four Non-Executive Directors were considered independent. The requirement as per the Code has been complied with throughout the financial year.
A.5.3 Criteria to evaluate Independence of Non-Executive Directors	Complied	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.
A.5.4 Signed declaration of independence by the Non-Executive Directors	Complied	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.
A.5.5 Determination of independence of the Directors by the Board	Complied	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.

A.5.6 Alternate Directors	Not Applicable	No alternative directors have been appointed.
A.5.7 Senior Independent Directors 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. The requirement to appoint a Senior Independent Director does not arise under this Code.
A.5.8 Confidential discussion with the Senior Independent Director	Not Applicable	Please refer to the comments in A 5.7 above.
A.5.9 Meeting of Non-Executive Directors 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. However, there were no formal specific meetings held with Non-Executive Directors during the year.
A.5.10 Recording of concerns in Board Minutes Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board Minutes.	Complied	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.
A.6, A.6.1 & A.6.2 Supply of Information 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.
A.7 Appointments to the Board 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.
A.7.1 Appointments to the Board	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.
A.7.2 Assessment of Board composition	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.
A.7.3 Disclosure of details of new Directors to shareholders	Complied	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

		<p>Annual Report, along with a brief resume of the Director which includes;</p> <ul style="list-style-type: none"> ▪ The nature of his expertise in the relevant functional area. ▪ Other Directorships or memberships in Board Sub-Committees. ▪ Whether the Director is considered "Independent". <p>No new directors have been appointed during the financial year of 2021/2022.</p>
<p>A.8, A.8.1 & A.8.2 Re-election</p> <p>All Directors should be required to submit themselves for re-election at regular intervals and at least every three years.</p>	Complied	<p>According to the Articles of association of the company, the Director retires by rotation and being eligible for re-election will stand for re-election by shareholders at the Annual General Meeting.</p>
<p>A.8.3 Resignation</p> <p>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	<p>Mr. Osman Kassim resigned on the 01st of May 2021.</p>
<p>A.9, A.9.1, A.9.2, A.9.3 & A.9.4 Appraisal of board performance</p> <p>The Board should periodically appraise its own performance against the preset targets in order to ensure that the Board's responsibilities are satisfactorily discharged.</p>	Complied	<p>The performance of the Board, its sub-committees, and individual Directors are being evaluated annually.</p>
<p>A.10 Disclosure of Information in respect of Directors</p> <p>Details in respect of each Director should be disclosed in the Annual Report for the benefit of the shareholders.</p>	Complied	<p>The biographical details of the Directors including their qualifications, nature of expertise in relevant functional areas, and other directorships are given on page 45 to 49. Directors' attendance at Board and Board Sub-Committee meetings are given on page 57, 66 and Directors' interest in contracts with the Company are disclosed on page 129 of this Report.</p>
<p>A.11, A.11.1 & A.11.2 Appraisal of the Chief Executive Officer</p> <p>The setting of the annual targets and the appraisal of the CEO.</p>	Complied	<p>The performance of the Chief Executive Officer is being evaluated annually.</p>
B. Directors' Remuneration		
<p>B.1 Remuneration Procedure</p> <p>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	<p>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.</p>

<p>B.1.1 Remuneration Committee</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 on the broad policy framework for the remuneration of the Chief Executive Officer. The Chief Executive Officer participates in meetings when deciding the remuneration of the corporate management in order to recruit, retain and motivate the corporate management team.</p>
<p>B.1.2 & B 1.3 Composition of the Remuneration Committee</p> <p>The remuneration Committee should consist exclusively 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> <p>Further details of the Remuneration Committee are given on this Annual Report on pages 63 to 64.</p>
<p>B.1.4 Remuneration of the Non-Executive Directors</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.1.5 Consultation of the Chairman and access to professional advice</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.2 Level and make-up of Remuneration</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 corporate and individual performance.</p>	Complied	<p>Please refer to Remuneration Committee Report on Page 63 to 64.</p>

<p>B.2.1& B 2.2 Level and make-up of the remuneration of the Executive Director</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 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.2.3 Comparison of remuneration with other companies</p> <p>The Remuneration Committee should judge where to position the levels of remuneration of the Company, relative to other companies. It should be aware of 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 in remuneration levels with no corresponding improvement in performance.</p>	Complied	<p>The Committee ensures that the 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.2.4 Comparison of remuneration with other companies in the Group</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.2.5 Performance related payments to the Chief Executive Officer</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.2.6 Executive share options</p>	Complied	<p>The Company has no share option made available to the Directors, Executives, or employees of the Company.</p>
<p>B.2.7 Deciding the Executive Directors' Remuneration</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.2.8 Early termination of Directors</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 the Chief Executive Officer who is an employee of the Company and his terms of Employment are governed by the employment contract.</p>

B.2.9 Early termination not included in the initial contract 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 the departure is not due to poor performance.	Complied	Please refer to the comment in B.2.8 above.
B.2.10 Remuneration of Non-Executive Director	Complied	Please refer to details of the Compliance given in B.1.4 on page 77.
B.3 & B 3.1 Disclosure of Remuneration 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 77. Please refer Note 28.1 to the Financial Statements for the details of remuneration paid to the Board of Directors and Key Management Personnel.
C. RELATIONS WITH SHAREHOLDERS		
C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings The Board should use the AGM to communicate with shareholders and should encourage their participation.	Complied	The Company conducts Annual General Meeting in an effective manner to communicate with shareholders and encourage their active participation.
C.1.1 Notice of the AGM 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.
C.1.2 Separate resolutions for all separate issues	Complied	Separate resolutions are proposed at an Annual General Meeting on each substantially separate issue.
C.1.3 Use of proxy votes	Complied	We ensure that all proxy votes are counted and the quantum of proxies lodged on each resolution is conveyed to our Chairman.
C.1.4 Availability of all Board Sub-Committee Chairmen at the Annual General Meeting	Complied	At the Annual General Meeting the respective Chairmen of the Subcommittees are present to provide any clarification to shareholders as necessary.

C.1.5 Adequate notice of Annual General Meeting and summary of the procedure	Complied	Please refer to comment C.1.1 above.
C.2.1 to C2.7 Board should use the Annual General Meeting to communicate with investors and encourage their participation	Complied	<p>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.</p> <p>The external Auditors are invited to attend the Annual General Meeting, for any professional assistance that may request.</p> <p>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.</p>
C.3, C.3.1 & C 3.2 Major and Material Transactions 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's net asset base.
D. ACCOUNTABILITY AND AUDIT		
D.1 Financial Reporting The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Complied	<p>Ex-pack has reported a true and fair view of its financial position and performance for the year ended 31st March 2022 and at the end of each quarter of the 2021/22 financial year.</p> <p>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.</p>
D.1.1 & D.1.2 Board responsibility to present the Financial Statements and Annual Report of the Directors	Complied	Please refer to the Statement of Directors' Responsibility shown on page 67 and the Directors have made the required declaration on pages 56 of this Annual Report.
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 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 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.

D.1.4 Directors Report	Complied	Please refer to the Report of the Directors on the State of Affairs of the Company on pages 67.
D.1.5 Statement by the Directors and the Auditors	Complied	The Statement of Directors' Responsibilities is on page 56 of this Annual Report. The Auditor's Report on the Financial Statements for the year ended 31st March 2022 is presented on pages 90 to 133 of this Annual Report.
D.1.6 Management discussion and analysis	Complied	The management discussion and analysis of the company is covered from Chairman's Review on pages 17 of this Annual Report.
D.1.7 Requirement for an Extraordinary General Meeting in a situation of serious loss of capital	Complied	This is not applicable to us however subsidiary company has an issue with such an EGM was held to notify this to shareholders accordingly.
D.1.8 Disclosure of related party transactions	Complied	The Directors disclose their interest in transactions in companies on 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 No 07 of 2007.
D.2 Risk Management and Internal Control The Board should have a process of risk management and a sound system of internal controls to safeguard shareholders' investments and the Company's assets.	Complied	The Board of Directors acknowledges its overall responsibility for maintaining a process of risk management and a sound system of internal controls, to safeguard shareholders' investment and the Company's assets.
D.2.1 Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	Complied	The Board has appointed an Audit Committee comprising of Non-Executive Directors. The Audit Committee meets quarterly basis to monitor the company's risk management system and internal control system in the context of likelihood and their impact on the Group along with the effectiveness of the system of internal controls to address them to a satisfactory level.
D.2.2 Robust assessment of the principal risks facing	Complied	The assessment of the principal risks facing the company and risk mitigation strategies have been discussed on the Risk Management Report on pages 41 to 42.
D.2.3 Internal audit function	Complied	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. The internal audit function is outsourced to a firm of Chartered Accountants.

<p>D.2.4 Review of the process and effectiveness of risk management and internal controls by the Audit Committee</p>	<p>Complied</p>	<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 60 to 62.</p>
<p>D.2.5 Responsibilities of Directors in maintaining a sound system of internal control</p>	<p>Complied</p>	<p>Please refer to Report of the Directors on the State of Affair of the Company on pages 67.</p>
<p>D.3, D.3.1 & D.3.2 Audit Committee, Composition, Duties & Responsibilities and Disclosures of Audit Committee</p> <p>The Board should have a formal and transparent arrangement in selecting and applying the accounting policies, financial reporting and internal control & risk management principles and maintaining an appropriate relationship with the Company's External Auditors.</p>	<p>Complied</p>	<p>Please refer Audit Committee Report on pages 60 to 62.</p>
<p>D.4, D4.1 to D.4.3 Related Party Transaction Review Committee, Composition, Duties & Responsibilities and Disclosures of Related Party Transaction Review Committee</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>	<p>Complied</p>	<p>Please refer to Related Party Transactions Review Committee Report on pages 65 to 66.</p>
<p>D.5, D.5.1 to D.5.4 Code of Business Conduct and Ethics</p> <p>The Company should develop a Code of Business Conduct and Ethics for Directors and members of the senior management team.</p>	<p>Complied</p>	<p>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 offense that is subject to disciplinary action.</p>

D.5 & D.5.1 Corporate Governance Disclosures	Complied	We are adhering to the highest standards of corporate governance as is evident in this Annual Report on pages 44.
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Shareholders

E. INSTITUTIONAL INVESTORS		
E.1 & E.1.1 Shareholders voting Institutional shareholders are required to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.	Complied	The Company is committed to maintaining 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. 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.
E.2 Evaluation of Corporate Governance initiatives	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.
F. OTHER INVESTORS		
F.1 & F1.1 Investing/ Divesting decision by Individual Shareholders	Complied	Individual shareholders are encouraged to carry out adequate analysis and seek independent advice prior to making investing or divesting directly in shares of the Company.
F.2 Individual shareholders voting	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 the such meeting the opportunity to cast their vote.
G. INTERNET OF THINGS AND CYBER-SECURITY		
G.1 G.1 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. 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.	Complied	The board assigned this responsibility to the Information Technology Division which ensures the security of the IT system.

<p>G.2 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 that should be approved by the Board. The policy should include 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.
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H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)

<p>H.1 & H 1.1 Companies should provide information in relation to:</p> <ul style="list-style-type: none"> ■ The relevance of environmental, social and governance factors to their business models and strategy. ■ How ESG issues may affect their business. ■ How risks and opportunities pertaining to ESG are recognized managed, measured and reported. 	Complied	Sustainability principles related to Environment, Social and Governance factors are embedded in the operations of the Company and initiatives implemented to ensure adherence by the Company.
<p>H.1.2 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>H.1.4 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/ capital 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 that 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 the 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 41 to 42.



sharing

Our Strength

7. FINANCIAL STATEMENTS OF THE COMPANY

7.1 Annual Report on the Board of Directors Affairs on the Company – 2021/2022

The Directors of Ex-Pack Corrugated Cartons PLC have the pleasure in presenting to the Shareholders their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2022, conforming to the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards. The report also includes certain disclosures required to be made under the Listing Rules of the Colombo Stock Exchange and the guideline-recommended best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Colombo Stock Exchange.

Company Overview

The Company is a Public Limited Liability Company Incorporated and domiciled in Sri Lanka and was listed on the Colombo Stock Exchange on 10th November 2021.

The registered office of the Company and the principal place of business is situated at No.11 A, Milepost Avenue, Colombo 03.

Principal Activities

During the year the principal activities of the Company were the manufacturing and selling of Corrugated Cartons to local and foreign markets. The principle activity of its subsidiary were engaging in the business of exporting all type of waste papers. There were no changes in the principle activities of the Company and its subsidiary during the year.

Review of Operations

The Chairman's Review on Pages 17 which forms an integral part of these reports provides an overall assessment of the financial performance and the financial position of the company.

Financial Statements

The financial statements of the Group and Company are given on Page Nos. 89 to 133. Summarized Financial Results for the year ended 31st March 2022 are duly certified by the Chief Financial Officer and approved by the Board of Directors. The approved Financial Statements have been signed on behalf of the Board by two Directors in compliance with the Companies Act No. 07 of 2007.

GROUP & COMPANY				
	Group (Rs'000)		Company (Rs'000)	
Y/E 31 March	2022	2021	2022	2021
Revenue	8,532,048	4,787,006	5,166,241	3,310,099
Profit / (Loss) before tax for the year	712,163	217,877	448,138	182,502
Net Profit / (Loss) after tax for the year	619,090	205,208	406,278	152,181

Auditors' Report

The Independent Auditors' Report on the financial statements is given on Page 90.

Accounting Policies

The accounting policies adopted by the Company in the preparation of financial statements are given on Pages from 99 to 110 which are consistent with those of the previous period.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company and the Group to reflect a true and fair view of the financial position and the performance of the Company and the Group. Please refer page 92 for the Directors' Responsibility on Financial Reporting.

Directors

The names of the Directors who held office as at the end of the accounting period and Directors who ceased to hold office during the accounting period are given below and their brief profiles appear on Pages from 45 to 49.

NAME OF DIRECTOR		DATE OF APPOINTMENT	DATE OF RESIGNATION
Sattar Kassim - Chairman	Non - Executive Non - Independent Director	19.03.2002	
Shafik Kassim	Non - Executive Non - Independent Director	19.03.2002	
Mohamed Zulficar Mohamed Ghouse - Managing Director	Executive Non - Independent Director	10.12.2012	
Abdulah Osman Kassim	Executive Non - Independent Director	25.06.2021	
Wanigasekara Bandaranayake Wasala Mudiyanse Ralahamilage Aluwihare Mahawalawwe Thulci Goutham Aluwihare	Non - Executive Independent Director	15.06.2021	
Shehara De Silva	Non - Executive Independent Director	25.06.2021	
Ukwatte Kankanamage Dinesh Dharmadasa	Non - Executive Independent Director	25.06.2021	
Mr. Osman Kassim			01.05.2021

Interest Register

In terms of the Companies Act No. 7 of 2007 an Interests register was maintained during the accounting period under review. This Annual Report also contains particulars of entries made in the Interests register.

Directors' Attendance of the Board Meeting

The details of Directors' attendance of the Board meeting on Pages from 57.

Directors' Remuneration

The Director's remuneration is disclosed in Note B.1 to the financial statements on Page No 76.

The Auditors

The financial statements for the year ended 31st March 2022 have been audited by Messrs Ernst & Young

(Chartered Accountants), and the Independent Auditors' Report thereon is given on page 90 of the Annual Report. As far as directors are aware the auditors do not have any relationship (other than that of an Auditor) with the Company except for those disclosed below. The auditors also do not have any interest in the Company.

The audit fee payable to the auditors for the year under review is Rs.750,000. (Group – Rs.1,140,000)

Stated Capital

The Stated Capital of the Company as at 31st March 2022 was Rs.1,200,000,000/- (333,333,333 Shares).

Directors' and Chief Executive Officers' Shareholding

The shareholdings of the Directors and the Chief Executive Officer (CEO) of the Company are as follows.

	31.3.2022	31.3.2021
Mr. Sattar Kassim	94,800	Nil
Mr. Shafik Kassim	14,400	Nil
Mr. Zulficar Ghouse	14,400	Nil
Mr. Abdullah Kassim	14,400	Nil
Mr. Thulci Aluwihare	Nil	Nil
Mr. Dinesh Dharmadasa	12,400	Nil
Ms. Shehara De Silva	13,100	Nil
Mr. Mohamed Riyaz Valli Mohamed (CEO)	85,910	Nil

Major Shareholders, Distribution Schedule And Other Information

Information on the twenty largest shareholders of the company, distribution schedule of the number of shareholders, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on Page No 135 under Investor Information.

Public Holding

The percentage of public shareholding as at the 31st March 2022 was 24.76%.

Capital Commitments

There were no material capital expenditure commitments as at 31st March 2022 other than those disclosed in Note 24.1.

Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory dues have been paid up to date, or have been provided for in the financial statements.

Donations

There were no donations made by the Company during the year.

Events Occurring After the Reporting Period

No circumstances have arisen after the reporting period which would require adjustment to or disclosure in the financial statements other than those disclosed in Note 26 on Page No 128 of the financial statements.

Going Concern

The Board of Directors is satisfied that the company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

Corporate Governance

Corporate Governance practices and principles with respect to the management and operations of the Company are set out on Pages from 44 of the Corporate Governance Report. The Corporate Governance Report also includes the requirements of rules 7.10.3, 7.10 5 c and 7.10 6 c of Section 7 of the CSE Listing Rules.

Board Sub Committees

Audit Committee, Related Party Transactions Review Committee and Remuneration Committee, function as sub-committees of the Board and they are composed of Directors with the requisite qualifications and experience. The composition of the said Committees are given under page 57 in the Corporate Governance Report.

Related Party Transactions Review Committee

The Board of Directors has given the following statement in respect of the related party transactions review committee

The Related Party Transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review Committee and are in compliance with the Section 09 of the CSE Listing Rules.

Related Party Transactions Review Committee report is given on page 65 of the Annual Report.

Employee Share Ownership Plans

The Company did not have any employee share ownership/option plans during the year.

Annual General Meeting

The Annual General Meeting of the Company will be held on 30th September 2022 The Notice of the Annual General meeting appears on page 146.

Acknowledgment of the Contents of the Annual Report

As required by the Companies Act no 7 of 2007, the Board of Directors hereby acknowledge the contents of the Annual Report.

By Order of the Board

EX-PACK CORRUGATED CARTONS PLC

[SIGNED]

Sattar Kassim
Chairman

[SIGNED]

Zulficar Ghouse
Managing Director

[SIGNED]

Business Intelligence (Pvt) Ltd.
Company Secretaries

30 August 2022
Colombo

EX-PACK
CORRUGATED CARTONS PLC
FINANCIAL STATEMENTS
31 MARCH 2022

WRHDS/DR/AD

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EX-PACK CORRUGATED CARTONS PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Ex-Pack Corrugated Cartons PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2022, and statements 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.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

(Contd...2/)



Partners: H M A Jayasinghe FCA FCMA, R N de Silva ACA FCMA, Ms. H A De Silva FCA, W R H De Silva FCA ACMA, Ms. P B De Silva FCA, Ms. R N M Fernando FCA ACMA, N V P L Fernando ACA, W R B S P Fernando FCA FCMA, M L L H H L Renuka FCA, D R Gamage ACA ACMA, A P A Gunasekera FCA FCMA, A Harshani FCA, D K Hulsingamswa FCA FCMA LLB LL.D., Ms. G D S Moratunga FCA, A A J R Perera ACA ACMA, Ms. P V R N Sumanaratne FCA, N M Sumanayaka ACA ACMA, B S Wijetunge FCA FCMA, C A Yalagala ACA ACMA

Principals: W S J De Silva BSc (Hons) MSc MSc (IT), G B Gnanasekera ACA, U L B Ranjith Wickramasinghe ACA, Ms. P S Perera FCA ACA LLB (Colombo), T P M Rabeera FCA FCMA

A member firm of Ernst & Young Global Limited

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of Trade Receivables</p> <p>Carrying value of Trade Receivables as of 31st March 2022 amounted to LKR.1.4 Bn representing 22% of the total assets of the Group</p> <p>Trade receivables was considered a key audit matter due to the;</p> <ul style="list-style-type: none"> Materiality of the trade receivable balance, The degree of assumptions and judgements associated with evaluating the probability of recoverability including the impact of current economic conditions as disclosed in Note 9 to the financial statements. 	<p>Our audit procedures included the following</p> <ul style="list-style-type: none"> We obtained an understanding of and evaluated the process used by the management to assess impairment of trade receivables. We assessed the reasonableness of the age analysis of trade receivables by referring to the source documents and the assumptions and judgements used by the management including the impact of current economic conditions. We have also assessed the adequacy of the disclosures made in Note 9 to the financial statements.
<p>Revenue Recognition</p> <p>The Group derived its revenue of Rs.8.5 Bn from the sale of products and services as disclosed in Note 16 to the financial statements.</p> <p>Revenue was a key audit matter due to.</p> <ul style="list-style-type: none"> The significance of the account balance coupled with the significant increase (78%) in revenue recorded by the Group during the year. The existence of certain terms and conditions relating to transfer of goods and services, affecting the timing of revenue recognition. 	<p>Our audit procedures included the following</p> <ul style="list-style-type: none"> Understood the nature of sales arrangements entered by group entities and evaluated the design and operating effectiveness of relevant controls over revenue recognition, Performed inquiries and analytical procedures to understand reasons contributing to the significant increase in net revenue recorded, and Checked the appropriateness of revenue recognised during the year, particularly towards the year end to sales contracts and other relevant supporting documentation. <p>We also assessed the adequacy of the disclosures in respect of revenue in Notes 2.3.19 and 16 to the financial statements.</p>

Other Information included in the 2021/22 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

(Contd...3/)

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

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

(Contd...4/)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 4107.



01 August 2022
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

ASSETS	Note	Group		Company	
		2022	2021	2022	2021
Non-Current Assets		Rs.	Rs.	Rs.	Rs.
Property, Plant and Equipment	3	1,659,103,602	1,039,479,869	1,641,987,345	1,008,170,004
Right to Use of Assets	4	104,684,163	100,815,151	35,250,028	45,937,077
Intangible Assets	5	204,573,423	204,211,327	938,606	537,031
Investment in Subsidiary	7	-	-	205,000,000	205,000,000
Investment Property	6	-	382,000,000	-	382,000,000
Deferred Tax Assets	21.2	24,520,728	13,558,573	-	-
		<u>1,992,881,916</u>	<u>1,740,064,920</u>	<u>1,883,175,979</u>	<u>1,641,644,112</u>
Current Assets					
Inventories	8	1,077,191,496	764,635,590	847,084,270	681,764,693
Trade and Other Receivables	9	1,973,933,860	1,379,052,475	1,611,131,121	1,058,427,354
Advances and Prepayments		85,858,686	34,107,626	47,958,592	17,700,942
Short Term Financial Assets	10	466,974,657	483,000,000	466,974,657	483,000,000
Cash and Cash Equivalents	11	975,074,368	94,740,680	817,850,089	84,591,962
		<u>4,579,033,067</u>	<u>2,755,536,371</u>	<u>3,790,998,729</u>	<u>2,325,484,951</u>
Total Assets		<u>6,571,914,983</u>	<u>4,495,601,291</u>	<u>5,674,174,708</u>	<u>3,967,129,063</u>
EQUITY AND LIABILITIES					
Stated Capital	12	1,200,000,000	500,000,000	1,200,000,000	500,000,000
Revaluation Reserves		291,991,832	291,991,832	291,991,832	291,991,832
Retained Earnings		408,698,053	(8,552,128)	252,337,182	46,787,935
Equity Attributable to Equity Holders of the Parent		<u>1,900,689,885</u>	<u>783,439,704</u>	<u>1,744,329,014</u>	<u>838,779,767</u>
Non Controlling Interest		(108,608)			
Total Equity		<u>1,900,581,277</u>	<u>783,439,704</u>	<u>1,744,329,014</u>	<u>838,779,767</u>
Non-Current Liabilities					
Deferred Tax Liability	21.2	77,414,557	73,639,077	77,414,557	73,639,077
Retirement Benefit Liability	14	102,426,637	82,201,168	75,096,489	61,424,586
Interest Bearing Loans and Borrowings	13	79,480,967	75,931,171	29,505,216	40,118,450
		<u>259,322,161</u>	<u>231,771,416</u>	<u>182,016,262</u>	<u>175,182,113</u>
Current Liabilities					
Interest Bearing Loans and Borrowings	13	3,134,555,655	2,676,692,156	2,849,506,213	2,274,181,452
Trade and Other Payables	15	1,167,688,760	755,781,101	842,039,568	631,068,817
Income Tax Payable		109,767,130	47,916,914	56,283,651	47,916,914
		<u>4,412,011,545</u>	<u>3,480,390,171</u>	<u>3,747,829,432</u>	<u>2,953,167,183</u>
Total Equity and Liabilities		<u>6,571,914,983</u>	<u>4,495,601,291</u>	<u>5,674,174,708</u>	<u>3,967,129,063</u>

I certify that these financial statements comply with the requirements of the Companies Act No. 07 of 2007.


 Chief Finance Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by;


 Director


 Director

The accounting policies and notes on pages 99 through 133 form an integral part of the Financial Statements.



STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2022

	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Revenue from Contracts with Customers	16	8,532,048,308	4,787,005,847	5,166,240,559	3,310,098,764
Cost of Sales		(7,226,713,843)	(3,858,320,323)	(4,347,631,933)	(2,550,509,842)
Gross Profit		1,305,334,465	928,685,524	818,608,626	759,588,922
Other Operating Income	17	312,296,423	67,542,609	369,096,067	52,250,289
Selling and Distribution Expenses		(343,168,289)	(224,055,189)	(320,149,847)	(210,986,186)
Administrative Expenses		(425,182,424)	(310,417,774)	(311,928,478)	(218,797,253)
Other Expenses / (Losses)	18	-	(327,866)	-	(394,284)
Results from operating activities		849,280,175	461,427,304	555,626,368	381,661,488
Finance Cost	19	(195,982,033)	(247,677,129)	(165,639,213)	(203,206,545)
Finance Income		58,864,469	4,126,350	58,151,026	4,046,775
Profit/(Loss) Before Tax	20	712,162,611	217,876,525	448,138,181	182,501,718
Income Tax Expense	21	(93,072,721)	(12,668,918)	(41,860,351)	(30,320,620)
Profit/(Loss) for the Year		619,089,890	205,207,607	406,277,830	152,181,098
Profit for the period attributable to:					
Equity holders of the parent company		619,198,698	205,207,607		
Non-controlling interests		(108,808)	-		
		619,089,890	205,207,607		
Basic/Diluted earnings per share	22	2.17	0.82	1.43	0.61
Dividend per share	23			0.49	0.41

The accounting policies and notes on pages 99 through 133 form an integral part of the Financial Statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2022

	Note	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
Profit/(Loss) for the year		619,089,890	205,207,607	406,277,830	152,181,098
Other comprehensive income/ (loss)					
<i>Other comprehensive income/ (loss) not to be classified to statement of profit or loss in subsequent period</i>					
Revaluation of land	3	-	50,092,000	-	50,092,000
Income tax effect on revaluation on land		-	(8,014,720)	-	(8,014,720)
		-	42,077,280	-	42,077,280
Revaluation of buildings	3	-	24,944,506	-	24,944,506
Income tax effect on revaluation of buildings		-	(3,991,121)	-	(3,991,121)
		-	20,953,385	-	20,953,385
Tax effect on revaluation of Land & Building due to change in tax rate		-	32,708,739	-	32,708,739
Actuarial (loss)/gains on defined benefit plans	14	(5,364,005)	(9,704,959)	(3,945,478)	(10,520,590)
Income tax effect on actuarial (loss)/gains		829,869	1,569,106	631,276	1,683,294
		(4,534,136)	(8,135,853)	(3,314,202)	(8,837,296)
Other comprehensive (loss)/income for the year, net of tax		(4,534,136)	87,603,551	(3,314,202)	86,902,108
Total comprehensive income/(loss) for the year, net of tax		614,555,754	292,811,158	402,963,628	239,083,206
Attributable To					
Owners of the Parent		614,664,562	292,811,158		
Non Controlling Interest		(108,808)	-		
		614,555,754	292,811,158		

The accounting policies and notes on pages 99 through 133 form an integral part of the Financial Statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

Group	Stated Capital	Revaluation Reserve	Retained Earnings / Loss	Non Controlling Interest	Total
	Rs.	Rs.	Rs.		Rs.
Balance as at 01 April 2020	500,000,000	196,252,428	(103,623,882)	-	592,628,546
Profit for the year	-	-	205,207,607	-	205,207,607
Other Comprehensive Income / (Loss)	-	95,739,404	(8,135,853)	-	87,603,551
Dividends to equity holders	-	-	(102,000,000)	-	(102,000,000)
Balance as at 31 March 2021	500,000,000	291,991,832	(8,552,128)	-	783,439,704
Proceeds from Share Issue	700,000,000	-	-	-	700,000,000
Transaction costs for issued share capital	-	-	(34,081,048)	-	(34,081,048)
Profit for the year	-	-	619,198,698	(108,808)	619,089,890
Other Comprehensive Income/(Loss)	-	-	(4,534,136)	-	(4,534,136)
Dividends to equity holders	-	-	(163,333,333)	-	(163,333,333)
Non controlling interest acquired in business combination	-	-	-	200	200
Balance as at 31 March 2022	1,200,000,000	291,991,832	408,698,053	(108,608)	1,900,581,277

Company	Stated Capital	Revaluation Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.
Balance as at 01 April 2020	500,000,000	196,252,428	5,444,133	701,696,561
Profit for the year	-	-	152,181,098	152,181,098
Other Comprehensive Income / (Loss)	-	95,739,404	(8,837,296)	86,902,108
Dividends to equity holders	-	-	(102,000,000)	(102,000,000)
Balance as at 31 March 2021	500,000,000	291,991,832	46,787,935	838,779,767
Proceeds from Share Issue	700,000,000	-	-	700,000,000
Transaction costs for issued share capital	-	-	(34,081,048)	(34,081,048)
Profit for the year	-	-	406,277,830	406,277,830
Other Comprehensive Income/(Loss)	-	-	(3,314,202)	(3,314,202)
Dividends to equity holders	-	-	(163,333,333)	(163,333,333)
Balance as at 31 March 2022	1,200,000,000	291,991,832	252,337,182	1,744,329,014

The accounting policies and notes on pages 99 through 133 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

Year ended 31 March 2022

	Note	Group		Company	
		2022	2021	2022	2021
Cash Flows From / (Used in) Operating Activities		Rs.	Rs.	Rs.	Rs.
Profit/(Loss) Before Tax		712,162,611	217,876,525	448,138,181	182,501,718
Adjustments for					
Depreciation of Property, Plant and Equipment	3	82,136,644	76,624,589	74,977,535	71,558,547
Amortization of Right of Use Assets	4	33,351,593	37,315,486	10,687,049	10,687,050
Amortisation of Intangible Assets	5	361,181	149,667	321,702	15,344
Provision for Retirement Benefit Liability	14	16,470,063	14,494,901	11,094,399	10,407,690
Allowance/(Reversal) of Doubtful debt/Bad debt write off		19,166,663	1,929,105	14,524,593	(1,300,000)
Profit/(Loss) on Disposal of Property, Plant and Equipment		657,032	(13,025,421)	657,032	(12,725,138)
Gain on Fair Value Change in Investment Property	6	-	(6,760,750)	-	(6,760,750)
Gain on Bargain Purchase	7.3	(1,318,340)			
Loss on Disposal of Subsidiary		-	327,866	-	394,284
Allowance for slow moving Inventories		2,400,000	-	-	-
Dividend Income		-	-	(82,000,000)	-
Relief of lease obligation	13	-	(1,435,530)	-	-
Lease Interest	13	12,158,667	12,891,177	5,718,398	6,734,336
Finance Income		(58,864,469)	(4,126,350)	(58,151,026)	(4,046,775)
Finance Cost	19	183,823,366	234,785,952	159,920,815	196,472,209
		1,002,505,011	571,047,217	585,888,678	453,938,515
Working Capital Changes					
(Increase)/Decrease in Inventories		(314,955,906)	13,616,874	(165,319,577)	(35,775,379)
(Increase)/Decrease in Trade and Other Receivables		(566,006,937)	(97,033,896)	(567,228,361)	(69,860,799)
(Increase)/Decrease in Advances and Prepayments		(56,205,860)	50,426,168	(30,257,650)	34,065,524
Increase/ (Decrease) in Trade and Other Payables		365,283,808	133,231,364	210,970,751	136,576,474
Cash Generated from Operations		430,620,114	671,287,727	34,053,841	518,944,335
Gratuity Paid	14	(1,608,599)	(14,067,373)	(1,367,974)	(12,645,923)
Tax Paid		(37,727,139)	(45,660,501)	(29,086,858)	(9,702,841)
Finance Cost Paid		(183,823,366)	(234,785,952)	(159,920,815)	(196,472,209)
Net Cash (Used in)/From Operating Activities		207,461,010	376,773,901	(156,321,806)	300,123,362
Cash Flows From / (Used in) Investing Activities					
Acquisition of Property, Plant and Equipment	3	(330,729,402)	(104,063,750)	(328,252,121)	(97,819,374)
Acquisition of Intangible Assets	5	(723,277)	(677,375)	(723,277)	(552,375)
Proceeds from Sale of Property Plant and Equipment		14,900,214	34,721,378	800,214	33,370,000
Development Cost of Investment Property	6	-	(3,039,250)	-	(3,039,250)
Investment in Fixed Deposits	10	16,025,343	(483,000,000)	16,025,343	(483,000,000)
Finance Income		58,864,469	4,126,350	58,151,026	4,046,775
Dividend Income Received from Subsidiary		-	-	82,000,000	-
Acquisition of Subsidiary, Net of Cash Acquired	7.4	48,910	-	-	-
Investing in Subsidiary - Share of Purchase Ordinary Shares	7	-	-	-	(5,000,000)
Net Cash Flows Used in Investing Activities		(241,613,743)	(551,932,647)	(171,998,815)	(551,994,224)
Cash Flows From / (Used in) Financing Activities					
Proceeds From Interest Bearing Loans and Borrowings	13	12,802,927,408	8,820,729,100	11,253,627,407	7,370,554,557
Repayment of Interest Bearing Loans and Borrowings	13	(12,343,069,305)	(8,540,440,717)	(10,670,691,527)	(6,995,290,437)
Proceeds From Initial Public Offering	12	700,000,000	-	700,000,000	-
Cost incurred in relation to Initial Public Offering	12	(34,081,048)	-	(34,081,048)	-
Payment of Finance Lease Liabilities	13	(38,720,550)	(36,621,000)	(14,706,000)	(13,680,000)
Dividends paid		(163,333,333)	(102,000,000)	(163,333,333)	(102,000,000)
Net Cash Flows From/(Used in) Financing Activities		923,723,172	141,667,383	1,070,815,499	259,584,120
Net (Decrease)/Increase in Cash and Cash Equivalents		889,570,439	(33,491,363)	742,494,878	7,713,258
Cash and Cash Equivalents at the Beginning of the Year	11	73,610,950	107,102,313	63,462,232	55,748,974
Cash and Cash Equivalents at the End of the Year	11	963,181,389	73,610,950	805,957,110	63,462,232

The accounting policies and notes on pages 99 through 133 form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

1. CORPORATE INFORMATION

1.1 General

Ex-Pack Corrugated Cartons PLC (Company), is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company and the Principal place of the business is situated at No. 79, Pattiwila Road, Gonawala, Kelaniya.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Group as follows,

The Company's principal activity included the manufacturing and selling of Corrugated Cartons to local and foreign markets.

The Company had two fully owned subsidiaries, Neptune Papers (Private) Limited and Denshun Industries (Private) Limited. On 25 March 2021, the Company disposed its entire shareholding of Denshun Industries (Private) Limited to its parent, Aberdeen Holdings (Private) Limited.

Neptune Papers (Private) Limited has acquired 100% shares of Saffron Food Services (Private) Limited on 31 December 2021 from Aberdeen Holdings (Private) Limited. Neptune Papers (Private) Limited also acquired Neptune Recycles (Private) Limited on 01 April 2021. Neptune Recycles has acquired 80% of shares of Neptune Eco Friends (Private) Limited on 31 December 2021.

Neptune Papers (Private) Limited - The principal activities of the company were engaging in the business of exporting of all type of waste papers.

The principal activity of Saffron Food Services (Private) Limited purchasing and reselling of wastepaper to the local mills.

Neptune Recycles (Private) Limited – The principal activities of the company were purchasing and reselling of wastepaper to the local mills.

Neptune Eco Friends (Private) Limited – The principal activities of the company were collecting and selling wastage via mobile application software.

1.3 Parent Enterprise and

Ultimate Parent Enterprise

The Company's parent undertaking is Aberdeen Holdings (Private) Limited which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The Consolidated Financial Statements of Ex-Pack Corrugated Cartons PLC, for the year ended 31 March 2022 were authorized for issue in accordance with a resolution of the Board of Directors on 01 August 2022.

2. ACCOUNTING POLICIES

2.1 General Accounting Policies

2.1.1 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis unless stated otherwise and accounting policies are applied consistently.

2.1.2 Basis of Preparation and Statement of Compliance

These Financial Statements, comprising of both the Company's separate Financial Statements and the Consolidated Financial Statements of the Company and its Subsidiaries ("Group"), comprise the Statements of Financial Position, Statements of Profit or Loss, Statements of the Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows together with the Accounting Policies and Notes to the Financial Statements.

The Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

2.1.3 Functional and Presentation Currency

The Financial Statements of the Group are presented in Sri Lankan Rupees, which is the Group's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

2.1.4 Comparative Information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The previous years' figures and phrases have been rearranged wherever necessary to confirm to the current presentation.

2.1.5 Going Concern

The Board of Directors has made an assessment of the Group's ability to continue as a going concern in the foreseeable future and they do not intend either to liquidate or to cease trading.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES & ASSUMPTIONS

The preparation of Financial Statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent liabilities of the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgments and estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are included below;

a) Revaluation of land and buildings

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property.

These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

The date of the most recent revaluation was on 31 March 2021. The changes in fair value recognised in other comprehensive income and in the statement of changes in equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

b) Measurement of the Recoverable Amount of Cash-Generating Units Containing Goodwill and Impairment Test on Investment in Subsidiary:

The Group tests annually whether goodwill requires impairment, in accordance with the accounting policy stated in Note 2.3.2. The recoverable value of Goodwill together with the related investment in subsidiary has been assessed considering its value in use discounting future cash flows generated from containing the operations of the unit.

c) Defined Benefit Plans

The cost of the defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases, and mortality rates more fully described in Note 14. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, management considers the weighted average cost of capital. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

d) Deferred Tax Asset

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probably that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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.Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2.3 SIGNIFICANT ACCOUNTING POLICIES**2.3.1 Changes in Accounting Policies**

The accounting policies adopted in the preparation of the consolidation financial statements are consistent with those followed in the preparation of the consolidation financial statements for the year ended 31 March 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards, amendments and interpretation issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

In 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Amendments to SLFRS 3 Business Combinations : Updating a reference to conceptual framework

In 23 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to LKAS 16: Property, Plant and Equipment: Proceeds before Intended Use

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.3.2 Basis of Consolidation

The Consolidated Financial Statements (referred to as the ‘Group’) comprise the financial statements of the Company and its Subsidiaries. Subsidiaries are disclosed in Notes 08 to the financial statements. The financial statements of the Subsidiaries are prepared in compliance with the Group’s accounting policies unless stated otherwise.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the Statement of Profit or Loss.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, which is 12 months ending 31 March, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. If the Group retains any interest in the previous subsidiary then such interest 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.

Investments in Subsidiaries are recognized at cost less impairment in the separate financial statements of the Company.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.3.3 Current/Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.3.4 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as land and building. Involvement of external valuers is decided upon annually by the Board of Directors, where selection criteria would include market knowledge, reputation, and independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.5 Foreign Currency Translations

The financial statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.6 Financial Instruments – Financial Assets**Initial Recognition and Measurement**

Financial assets are recognized at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivable that do not contain significant financing component for which Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial asset not a fair value through profit or loss, transaction costs. Trade receivable that do not contain a significant financing component for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI it needs to give rise to cash flows that are 'solely payments of principal and interest' on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows selling the financial assets or both.

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Purchases or sales of financial assets that require delivery of financial assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Company's financial assets include cash and bank balances, fixed deposits, trade and other receivables including amount due from related parties, and advances and prepayments.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Financial assets at amortised cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- iv. Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial Assets at Amortised Cost (Debt Instruments)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Assets at Amortised Cost (Debt Instruments)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.3.7 Financial Instruments – Financial Liabilities**Initial Recognition and Measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables including amount due to related parties, loans and borrowings including bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in SLFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and Borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.3.8 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.3.9 Determination of Fair values

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. When there is no active market, direct observation of a trade price may not be possible. In these circumstances, the Group uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.

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

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

2.3.10 Property, Plant and Equipment**Basis of measurement**

Property, Plant and equipment is stated at cost/revaluation, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss as incurred.

The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions and provisions for further information about the recorded decommissioning provision. The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Land and buildings are subsequently measured at fair value, less accumulated depreciation on buildings, and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Depreciation

Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

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

2.3.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the reporting period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.12 Intangible Assets

Computer software acquired is separately measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful life of computer software is assessed and amortised over the useful economic life of 4 years.

2.3.13 Cash and Cash Equivalents

Cash and Cash Equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.3.14 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials:

- Purchase cost on a Weighted Averaged Cost (WAC) basis.

Work in Progress:

- Cost of direct materials

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■ Finished goods:

Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.15 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.3.16 Retirement Benefit Obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions to a separate entity. A defined benefit plan, define an amount of pension benefit that an employee will receive on retirement, based on the years of service and compensation.

a) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations in Sri Lanka. The Group contributes 14% and 3% of basic emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

b) Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 14. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The Group's accounting policy for defined benefit plans is to recognize actuarial gains and losses in the period in which they occur in full in other comprehensive income in...

accordance with LKAS 19. Accordingly, the Group recognized all cumulative actuarial gains and losses at the date of transition to SLFRS. Further details are disclosed in financial statements.

The Retirement Benefit Obligation of the Company is based on the Actuarial Valuation carried out by Messrs., Actuarial and Management Consultants (Private) Limited, a firm of Professional Actuaries.

The gratuity liability is not funded.

2.3.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

l) Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings - 03 to 06 years
- Plant and machinery - 05 to 10 years
- Motor vehicles and other equipment - 04 to 05 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (Note 13).

iii) Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in

negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.3.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

2.3.19 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group is the principal in its revenue arrangements, as it typically controls the goods before transferring them to the customer. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

a) Sale of Goods

Revenue from sale of goods is recognised at the point in time when control of the goods are transferred to the customer, generally on sold of the goods.

The Group's contracts with customers sales include one performance obligation. The Group has concluded that revenue from sales should be recognised at the point in time when control of the asset is transferred to the customer, generally on sold of goods (Local Sales) or delivery of the goods based on shipping terms (Export Sales). Therefore, the adoption of SLFRS 15 did not have an impact on the timing of revenue recognition. However, in determining the transaction price for the sales, the Group considers the effects of variable consideration and the existence of significant financing components.

b) Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial instruments – initial recognition and subsequent measurement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

c) Contract Liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

d) Gains and Losses

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

e) Finance Income

Finance income is recognised on a time proportion basis that takes in to account the effective interest rate (EIR) on asset. EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

f) Dividend Income

Dividend income is recognised when the Group's right to receive the payment is established.

g) Rental Income

Rental income arising from operating leases on investment properties or renting out of premises are recognised as income on a straight-line basis over the term of the lease or agreement.

h) Others

Other income is recognised on an accrual basis.

2.3.20 Taxation**Current Taxes**

Current income tax assets and liabilities for the current reporting period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and the carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As described in Note 2.2 (d) the Group has used the proposed income tax rate for compute the deferred tax assets and liabilities as at reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

2.3.21 Statement of Cash Flows

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Group	Cost / Valuation	Land		Building		Motor Vehicles		Office Equipment		Furniture and Fittings		Technological Equipment		Plant & Machinery		Tools and Equipment		Spare Parts		Stores & Equipment		Total	
		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
3.1.1																							
	As at 01 April 2021	465,000,000	390,000,000	181,851,840	13,548,750	5,222,789	39,662,163	522,387,407	4,056,469	53,155,620	4,665,567	1,679,550,605											
	Additions	259,086,134	7,657,564	-	1,161,275	24,885	10,529,690	52,269,853	-	-	-	330,729,402											
	Transfers from Investment Property	382,000,000	-	-	-	-	-	-	-	-	-	382,000,000											
	Transferred From/(To) ROU Assets	-	-	-	-	-	-	(25,469,200)	-	-	-	(17,387,297)											
	De-recognition of Unusable Assets	-	-	-	(2,472,595)	(207,671)	(1,518,775)	(2,206,500)	(231,015)	-	(4,100,962)	(10,737,518)											
	Disposals	-	-	-	-	-	(2,032,500)	-	-	-	-	(2,032,500)											
	Adjustments	-	-	-	-	-	-	(300,110)	-	-	-	(300,110)											
	As at 31 March 2022	1,106,086,134	397,657,564	189,933,743	12,237,430	5,040,003	46,640,578	546,681,450	3,825,454	53,155,620	564,605	2,361,822,581											
3.1.2	Accumulated Depreciation																						
	As at 01 April 2021	-	-	135,867,442	7,581,402	1,459,553	23,536,706	411,493,321	2,685,186	53,155,620	4,291,506	640,070,736											
	Charge for the year	-	29,127,964	14,379,706	1,326,434	630,848	6,332,078	29,941,650	324,992	-	72,971	82,136,644											
	Transferred From ROU Assets	-	-	5,495,812	-	-	-	(13,371,330)	-	-	-	(7,875,518)											
	De-recognition of Unusable Assets	-	-	-	(2,472,595)	(207,671)	(1,518,775)	(2,206,500)	(231,015)	-	(4,100,962)	(10,737,518)											
	Disposals	-	-	-	-	-	(550,468)	-	-	-	-	(550,468)											
	Adjustments	-	-	-	-	-	-	(324,551)	(346)	-	-	(324,897)											
	As at 31 March 2022	-	29,127,964	155,742,960	6,435,242	1,882,730	27,799,541	425,532,590	2,778,817	53,155,620	263,515	702,718,979											
	As at 31 March 2021	465,000,000	390,000,000	45,984,398	5,967,348	3,763,236	16,125,457	110,894,086	1,371,283	-	374,061	1,039,479,869											
	As at 31 March 2022	1,106,086,134	368,529,600	34,190,783	5,802,188	3,157,273	18,841,037	121,148,860	1,046,637	-	301,090	1,659,103,602											

3.1.3 During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 330,729,402/-, (2021 - Rs. 104,063,750/-). Total cash payments amounting to Rs. 330,729,402/-, (2021 - Rs. 104,063,750/-) were made during the year for purchase of Property, Plant and Equipment.

3.1.4 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 535,304,925/- (2021 - Rs. 359,143,267/-).

3.1.5 The Group's lands which are reflected at revalued amounts have been determined based on active market price method. The revaluation was last carried out on 31 March 2021 by A.A.M. Fathihu, an independent valuer.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

3. PROPERTY, PLANT AND EQUIPMENT (Contd...)

Company	Land	Building	Motor Vehicles	Office Equipment	Furniture and Fittings	Technological Equipment	Plant & Machinery	Tools and Equipment	Spare Parts	Stores & Equipment	Total
Cost / Valuation	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 01 April 2021	465,000,000	390,000,000	144,895,081	5,894,981	4,121,651	32,040,391	454,773,938	2,099,743	53,155,620	-	1,551,981,405
Additions	259,086,134	7,657,564	-	778,451	24,885	9,970,690	50,734,396	-	-	-	328,252,121
Transfers from Investment Property	382,000,000	-	-	-	-	-	-	-	-	-	382,000,000
Disposals	-	-	-	-	-	(2,032,500)	-	-	-	-	(2,032,500)
Adjustments	-	-	-	-	-	-	(300,110)	-	-	-	(300,110)
As at 31 March 2022	1,106,086,134	397,657,564	144,895,081	6,673,432	4,146,536	39,978,581	505,208,225	2,099,743	53,155,620	-	2,259,900,916
3.2.2 Accumulated Depreciation											
As at 01 April 2021	-	-	102,259,923	3,053,288	1,184,692	17,867,472	365,076,647	1,213,759	53,155,620	-	543,811,401
Charge for the year	-	29,127,964	13,343,402	706,396	519,164	5,500,345	25,637,923	142,340	-	-	74,977,535
Disposals	-	-	-	-	-	(550,468)	-	-	-	-	(550,468)
Adjustments	-	-	-	-	-	-	(324,551)	(346)	-	-	(324,897)
As at 31 March 2022	-	29,127,964	115,603,325	3,759,684	1,703,856	22,817,349	390,390,019	1,355,754	53,155,620	-	617,913,571
As at 31 March 2021	465,000,000	390,000,000	42,635,158	2,841,693	2,936,959	14,172,919	89,697,291	885,984	-	-	1,008,170,004
As at 31 March 2022	1,106,086,134	368,529,600	29,291,756	2,913,748	2,442,680	17,161,232	114,818,206	743,989	-	-	1,641,987,345

3.2.3 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.328,252,121/- (2021-Rs.97,819,374/-). Cash payments amounting to Rs.328,252,121/- (2021-Rs.97,819,374/-) were made during the year for purchase of Property, Plant and Equipment.

3.2.4 Property, Plant and Equipment includes fully depreciated assets having a gross carrying amounts of Rs. 458,664,145 /- (2021 - Rs. 309,728,794/-).

3.2.5 The Group/Company uses the revaluation model of measurement of land and buildings. The Group/Company engaged A.A.M Fathihi, an accredited independent valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation for Land and Buildings was 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

3. PROPERTY, PLANT AND EQUIPMENT (Contd...)

The table below sets out information about significant unobservable inputs used in measuring non-financial assets measured at fair value categorised as level 3 in the fair value hierarchy.

Location and Date of Last Revaluation	Sub-Category	Total area	Valuation Technique	Significant Unobservable Inputs	Rate Applied	Fair Value - 31 Mar 2022	Fair value Measurement Inputs Measurement	Sensitivity to Measurement
Land No. 79, Pattiwila Road, Gonawala, Kelaniya. (31 Mar 2021)	1 Main Land 2 Car Park Land	679.30 Perch 19.13 Perch	Direct Capital Comparison Method	Rate Per Perch Rate Per Perch	649,198 1,254,574	441,000,000 24,000,001 <u>465,000,001</u>	Significant increases (decreases) in estimated price per perch would result in a significantly higher (lower) fair value.	
Land Samurdhi Mawatha, Heiyantuduwa, Biyagama.(31 Mar 2022)	1 Undevelopment Land 1A 2 Undevelopment Land 1B	321.5 Perch 22.25 Perch	Direct Capital Comparison Method	Rate Per Perch Rate Per Perch	751,000 500,000	241,446,500 11,125,000 <u>252,571,500</u>	Significant increases (decreases) in estimated price per perch would result in a significantly higher (lower) fair value. FV of the land has been recorded at Rs. 253,000,000.	
Land Location - No 151, Samurdhi Mw, Heiyanthuduwa, Biyagama.(31 Mar 2021)	1 Main Land	527.5 Sq.Ft	Direct Capital Comparison Method	Rate Per Perch	750,000 - 1,000,000	382,000,000 <u>382,000,000</u>	Significant increases (decreases) in estimated price per perch would result in a significantly higher (lower) fair value.	
Building No. 79, Pattiwila Road, Gonawala, Kelaniya. (31 Mar 2021)	1 Main Factory & Store 2 Two Story Building 1 3 Two Story Building 2 4 Car Park Garage	139,418 Sq.Ft 17,362 Sq.Ft 1,400 Sq.Ft 5,200 Sq.Ft	Replacement Cost	Replacement Cost Per Perch	2,274 3,496 4,500 1,154	317,000,000 60,700,000 6,300,000 6,000,000 <u>390,000,000</u>	Significant increases (decreases) in estimated replacement cost per perch would result in a significantly higher (lower) fair value.	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

3.	PROPERTY, PLANT AND EQUIPMENT (Contd...)	Group / Company	
3.3	The useful lives of the assets is estimated as follows	2022	2021
	Building	20 Years	20 Years
	Tools and Equipment	8 Years	8 Years
	Plant and Machinery	5-10 Years	5-10 Years
	Office Equipment	4-8 Years	4-8 Years
	Furniture and Fittings	8 Years	8 Years
	Motor Vehicle	5 Years	5 Years
	Technical Equipment	4 Years	4 Years
	Spare Parts	3 Years	3 Years

4. LEASES**4.1 Rights Of Use Asset**

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability (present value of future lease payments discounted using the Company's incremental borrowing rate) adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The movement of Right of Use Lease assets of the Group/Company is as follows;

4.1.1 Group	Balance As at 01.04.2021	Additions during the year	Disposals during the year	Transfer (to)/from Property, Plant and Equipment	Balance As at 31.03.2022
Cost	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	154,110,048	27,708,826	(20,828,342)	-	160,990,532
Motor Vehicle	11,217,402	-	-	(8,081,903)	3,135,499
Plant and Machinery	5,237,089	-	-	25,469,200	30,706,289
	170,564,539	27,708,826	(20,828,342)	17,387,297	194,832,321
Amortisation	Balance As at 01.04.2021	Charge for the year	Disposals during the year	Transfer (to)/from Property, Plant and Equipment	Balance As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	62,066,700	30,060,695	(20,828,342)	-	71,299,053
Motor Vehicle	4,975,852	2,243,481	-	(5,495,812)	1,723,521
Plant and Machinery	2,706,836	1,047,417	-	13,371,330	17,125,583
	69,749,388	33,351,593	(20,828,342)	7,875,518	90,148,157
Net book values				Balance As at 31.03.2022	Balance As at 31.03.2021
				Rs.	Rs.
Buildings				89,691,479	92,043,348
Motor Vehicle				1,411,978	6,241,550
Plant and Machinery				13,580,706	2,530,253
				104,684,163	100,815,151

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

4. LEASES (Contd..)

4.1.2 Company	Balance As at 01.04.2021	Additions during the year	Transfer to Property, Plant and Equipment	Balance As at 31.03.2022
Cost	Rs.	Rs.	Rs.	Rs.
Buildings	64,122,299	-	-	64,122,299
	64,122,299	-	-	64,122,299
Amortisation	Balance As at 01.04.2021	Charge for the year	Transfer to Property, Plant and Equipment	Balance As at 31.03.2022
	Rs.	Rs.	Rs.	Rs.
Buildings	18,185,222	10,687,049	-	28,872,271
	18,185,222	10,687,049	-	28,872,271
Net book values			Balance As at 31.03.2022	Balance As at 31.03.2021
			Rs.	Rs.
Buildings			35,250,028	45,937,077
			35,250,028	45,937,077

4.2 Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the initial application date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Company's incremental borrowing rate. The movement of Lease creditor for the period is described in Note 13.

5. INTANGIBLE ASSETS

	Group		Company	
5.1 Computer Software	2022	2021	2022	2021
Cost	Rs.	Rs.	Rs.	Rs.
As at 1 April	1,753,223	1,075,848	552,375	-
Additions	723,277	677,375	723,277	552,375
Disposals	(244,500)	-	-	-
As at 31 March	2,232,000	1,753,223	1,275,652	552,375
Amortisation				
As at 1 April	1,085,567	935,900	15,344	-
Amortisation for the year	361,181	149,667	321,702	15,344
Disposals	(244,500)	-	-	-
As at 31 March	1,202,248	1,085,567	337,046	15,344
Net book value	1,029,752	667,656	938,606	537,031

5.2 Goodwill	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Goodwill acquired through business combinations have been allocated to cash generating unit for impairment testing as follows, Neptune Papers (Private) Limited	203,543,671	203,543,671	-	-
	203,543,671	203,543,671	-	-
Total Intangible Assets	204,573,423	204,211,327	938,606	537,031

The recoverable amount of cash generating unit has been determined based on the value in use (VIU) calculation (Note 5.3)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

5. INTANGIBLE ASSETS (Contd...)**5.3 Key assumption used in the VIU calculation.****Gross margins**

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the WACC. (18%) (2021 - 11%)

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately to the budgeted year based on Industry growth rates. Cash flows beyond the five year period are extrapolated using 1% growth rate (2021 - 3%)

6. INVESTMENT PROPERTY	Group/Company	
	2022	2021
	Rs.	Rs.
As at 01 April	382,000,000	372,200,000
Transfer To Non Current Assets	(382,000,000)	-
Development Cost	-	3,039,250
Gain on Fair Value Change in Investment Property	-	6,760,750
As at 31 March	-	382,000,000

The Company has transferred the Investment Property carried at fair value model to Property Plant and Equipment during the year.

The Company engaged A. A. M. Fathihu, an accredited independent valuer, to determine the fair value of the land. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 31 March 2021 and the land valuation is amounting to Rs. 382,000,000/-.

The below information about significant unobservable inputs used in measuring non-financial assets measured at fair value categorised as level 3 in the fair value hierarchy as at March 31, 2021.

* Location - No 151, Samurdhi Mw, Heiyanthuduwa, Biyagama.
 * Valuation Technique - Direct Capital Comparison Method.
 * Total Sq.Ft - 527.5 Sq.Ft

* Date of Last Revaluation - 31 Mar 2021
 * Rate Per Perch - Rs. 750,000/- to 1,000,000/-
 * Fair Value - Rs. 382,000,000/-

Significant increases (decreases) in estimated price per perch would result in a significantly higher (lower) fair value.

7. INVESTMENT IN SUBSIDIARY

Company	2022		2021	
	Holding %	Rs.	Holding %	Rs.
Non Quoted				
Neptune Papers (Private) Limited	100%	205,000,000	100%	205,000,000
		205,000,000		205,000,000
Less : Provision for impairment		-		-
		205,000,000		205,000,000

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

7. INVESTMENT IN SUBSIDIARY (Contd..)

Details of Sub-Subsidiaries held;		2022		2021	
Company	Investor	Holding		Holding	
		%	Rs.	%	Rs.
Neptune Recyclers (Private) Limited		100%	500	-	-
Neptune Eco Friends (Private) Limited		80%	800	-	-
Saffron Food Services (Private) Limited		100%	1,000	-	-

7.2 Acquisition made by the Group during the year

Investee	Investor	Purchase Consideration	% Acquired	Date Acquired
Neptune Recyclers (Private) Limited	Neptune Papers (Private) Limited	500	100%	01 April 2021
Saffron Food Services (Private) Limited	Neptune Papers (Private) Limited	1,000	100%	31 December 2021

Further, an amount of Rs. 800/- was invested in 80% of shares of Neptune Eco Friends (Private) Limited, which was incorporated during the year.

7.3 Asset acquired and liabilities assumed through the acquisitions are summarized below;

	Saffron Food Services	Neptune Recyclers	Total
	(Private) Limited	(Private) Limited	
	Rs.	Rs.	Rs.
Trade and Other Receivables	48,042,105	500	48,042,605
Bank Balances	48,910	-	48,910
Trade and Other Payables	(46,623,851)	-	(46,623,851)
Tax Payable	(147,824)	-	(147,824)
Identifiable net assets at fair value	1,319,340	500	1,319,840
Non-controlling Interest	-	-	-
Gain on bargain purchase	(1,318,340)	-	(1,318,340)
Purchase consideration transferred	1,000	500	1,500
7.4 Satisfied by			
Cash Consideration to be paid			1,500
			1,500
Analysis of cash and cash equivalents on acquisition of subsidiary			
Cash at bank acquired on business combination			48,910
Net cash inflow on acquisition			48,910

8. INVENTORIES	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Raw Material	693,958,024	515,528,903	693,958,024	515,528,903
Work-in-Progress	13,899,504	5,155,792	13,899,504	5,155,792
Finished Goods	257,610,822	117,353,655	25,103,596	34,482,758
Goods-in-Transit	8,638,826	-	8,638,826	-
Consumables	105,484,320	126,597,240	105,484,320	126,597,240
Less: Allowance for obsolete inventory	(2,400,000)	-	-	-
	1,077,191,496	764,635,590	847,084,270	681,764,693

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

9.	TRADE AND OTHER RECEIVABLES	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
	Trade Debtors - Other	1,455,939,407	1,042,339,442	1,166,378,518	783,633,046
	- Related Parties (9.1)	10,152,886	2,352,414	10,670,696	2,352,414
	Less: Allowances for Doubtful Debt	(29,576,528)	(10,409,865)	(14,524,593)	-
		1,436,515,765	1,034,281,991	1,162,524,621	785,985,460
	Staff Debtors	2,345,028	2,636,543	2,345,028	2,636,543
	Other Debtors - Others	64,860,982	37,605,110	21,685,933	22,951,130
	- Related Parties (9.2)	288,312,110	124,365,649	247,463,615	85,188,140
	Insurance Claim Receivable	-	-	-	-
		355,518,120	164,607,302	271,494,576	110,775,813
	VAT Receivable	177,111,924	175,375,131	177,111,924	161,666,081
	Income Tax Receivable	4,788,051	4,788,051	-	-
		181,899,975	180,163,182	177,111,924	161,666,081
		1,973,933,860	1,379,052,475	1,611,131,121	1,058,427,354

9.1	Trade Debtors - Related Parties		Group		Company	
			2022	2021	2022	2021
			Rs.	Rs.	Rs.	Rs.
	Bio Extracts (Pvt) Ltd	Fellow Subsidiary	2,778,448	2,352,414	2,778,448	2,352,414
	Expoteas Ceylon (Pvt) Ltd	Fellow Subsidiary	1,990,072	-	1,990,072	-
	Fits Express (Pvt) Ltd	Fellow Subsidiary	2,502,336	-	2,502,336	-
	DFC Roasters (Pvt) Ltd	Fellow Subsidiary	240,570	-	240,570	-
	Neptune Papers (Pvt) Ltd	Subsidiary	-	-	517,810	-
	Lanka Commodity Trading (Pvt) Ltd	Fellow Subsidiary	2,641,460	-	2,641,460	-
			10,152,886	2,352,414	10,670,696	2,352,414

9.2	Other Debtors - Related Parties		Group		Company	
			2022	2021	2022	2021
			Rs.	Rs.	Rs.	Rs.
	Aberdeen Holdings (Pvt) Ltd	Parent	74,759,645	79,886,953	50,380,541	53,734,141
	Expo Commodities DMCC	Fellow Subsidiary	-	327,894	-	-
	Lanka Commodity Trading (Pvt) Ltd	Fellow Subsidiary	201,218	31,366	-	-
	Expoteas Ceylon (Pvt) Ltd	Fellow Subsidiary	1,800	43,450	-	-
	Hi Energy Services (Pvt) Ltd	Fellow Subsidiary	119,816,034	16,375	119,816,034	-
	Saffron Food Services (Pvt) Ltd	Sub -Subsidiary	-	10,231,299	-	-
	Lanka Food Solutions (Pvt) Ltd	Fellow Subsidiary	24,803,599	24,803,599	24,803,599	24,803,599
	Bio Extract (Pvt) Ltd	Fellow Subsidiary	46,725,674	6,941,914	31,531,693	6,650,400
	Fits Aviation (Pvt) Ltd	Fellow Subsidiary	21,246,380	1,232,984	20,931,748	-
	Fits Express (Pvt) Ltd	Fellow Subsidiary	726,180	849,815	-	-
	Lanka Commodity Holdings (Pvt) Ltd	Fellow Subsidiary	3,500	-	-	-
	Expoceylon Pharmaceuticals (Pvt) Ltd	Fellow Subsidiary	28,080	-	-	-
			288,312,110	124,365,649	247,463,615	85,188,140

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

9. TRADE AND OTHER RECEIVABLES (Contd..)**9.3 Trade receivables are non-interest bearing and are generally on times of 30-90 days.**

As at 31 March, the ageing analysis of trade receivables, is as follows:

Group						
	Total	< 30 days	31-90 days	91-180 days	181-360 days	>360 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2022	1,466,092,293	802,953,794	564,828,436	61,347,257	7,386,278	29,576,528
2021	1,044,691,856	558,735,227	417,054,806	43,782,819	12,823,056	12,295,948

Company						
	Total	< 30 days	31-90 days	91-180 days	181-360 days	>360 days
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2022	1,177,049,214	581,221,993	516,829,721	58,097,119	6,375,788	14,524,593
2021	785,985,460	370,217,469	378,440,214	35,990,003	837,774	500,000

Note 29.4 on credit risk of trade receivables, which discusses how the Group/Company manages and measures credit quality of trade receivables that are neither past due nor impaired.

10. SHORT TERM FINANCIAL ASSETS		Group		Company	
		2022	2021	2022	2021
10.1 Investment in Fixed Deposits	Credit Rating	Rs.	Rs.	Rs.	Rs.
Seylan Bank PLC	A(Ika)	466,974,657	483,000,000	466,974,657	483,000,000
		<u>466,974,657</u>	<u>483,000,000</u>	<u>466,974,657</u>	<u>483,000,000</u>

10.2 Impairment of investments in fixed deposits

Management has assessed the provision of impairment of fixed deposits by considering the credit ratings of the institutions and considering other economic factors and concluded that the resulting impairment provision is immaterial to the financial statements.

11. CASH AND CASH EQUIVALENTS		Group		Company	
		2022	2021	2022	2021
11.1 Favourable Cash and Cash Equivalents balance		Rs.	Rs.	Rs.	Rs.
Cash at Bank		121,724,244	60,890,990	107,740,397	58,294,615
Cash in Hand		147,237,110	33,849,690	3,996,678	26,297,347
Short-term Deposit		706,113,014	-	706,113,014	-
		<u>975,074,368</u>	<u>94,740,680</u>	<u>817,850,089</u>	<u>84,591,962</u>
11.2 Unfavourable Cash and Cash Equivalents balance					
Bank overdrafts		(11,892,979)	(21,129,730)	(11,892,979)	(21,129,730)
		<u>(11,892,979)</u>	<u>(21,129,730)</u>	<u>(11,892,979)</u>	<u>(21,129,730)</u>
Net Cash & Cash Equivalent balance for the purpose of Cash Flow Statement		<u>963,181,389</u>	<u>73,610,950</u>	<u>805,957,110</u>	<u>63,462,232</u>

12. STATED CAPITAL		Group/Company			
		2022		2021	
		Number of shares	Rs.	Number of shares	Rs.
Issued and fully-paid - ordinary shares					
Balance at the beginning of the year		50,000,000	500,000,000	50,000,000	500,000,000
Shares Split		200,000,000	-	-	-
Issue of shares		83,333,333	700,000,000	-	-
Transaction costs for issued share capital		-	-	-	-
		<u>333,333,333</u>	<u>1,200,000,000</u>	<u>50,000,000</u>	<u>500,000,000</u>

The company has issued Eighty three million three hundred thirty three thousand three hundred thirty three (83,333,333) new ordinary voting shares each at Rs. 8.40/- to the general public on 10 November 2021 by way of an offer for subscription in the Colombo Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

13.

INTEREST BEARING LOANS AND BORROWINGS	Group			Company	
	2022	2021	2022	2021	
	Rs.	Rs.	Rs.	Rs.	Rs.
Non-current interest bearing loans and borrowings					
Finance Lease - Motor Vehicle and Plant and Machinery (13.1)	12,965,488	2,310,992	-	-	-
Finance Lease - Buildings (13.2)	66,515,479	73,620,179	29,505,216	40,118,450	40,118,450
	79,480,967	75,931,171	29,505,216		
Current interest bearing loans and borrowings					
Finance Lease - Motor Vehicle and Plant and Machinery (13.1)	3,445,504	3,695,790	-	-	-
Finance Lease - Buildings (13.2)	26,794,950	19,302,516	10,613,234	8,987,602	8,987,602
Loans obtained from Related Parties (13.3)	-	42,000,000	-	-	-
Term Loans (13.4)	3,092,422,222	2,590,564,120	2,827,000,000	2,244,064,120	2,244,064,120
Bank overdrafts (11.2)	11,892,979	21,129,730	11,892,979	21,129,730	21,129,730
	3,134,555,655	2,676,692,156	2,849,506,213	2,274,181,452	2,274,181,452
Total interest bearing loans and borrowings	3,214,036,622	2,752,623,327	2,879,011,429	2,314,299,902	2,314,299,902

13.1

Finance Lease - Motor Vehicle and Plant and Machinery	Balance as at 01.04.2021		New Leases Obtained		Repayments		Balance as at 31.03.2022		Current as at 31.03.2022		Non-current as at 31.03.2022	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Group												
Commercial Bank of Ceylon PLC	6,991,703	18,605,746			(4,325,288)		21,272,161		5,227,093		16,045,068	
Finance Charges Allocated to Future Periods	(984,921)	(4,505,746)			629,498		(4,861,169)		(1,781,589)		(3,079,580)	
Net Liability	6,006,782	14,100,000			(3,695,790)		16,410,992		3,445,504		12,965,488	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

13. INTEREST BEARING LOANS AND BORROWINGS (Contd...)

13.2

Finance Lease - Buildings Group	Balance as at 01.04.2021	Interest Expense Recognised in Profit or Loss	New lease Obtained	Repayments	Balance as at 31.03.2022	Current as at 31.03.2022	Non-current as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	92,922,695	12,158,667	23,253,826	(35,024,760)	93,310,428	26,794,950	66,515,479
	92,922,695	12,158,667	23,253,826	(35,024,760)	93,310,428	26,794,950	66,515,479
Company	Balance as at 01.04.2021	Interest Expense Recognised in Profit or Loss	Relief of Lease Obligation	Repayments	Balance as at 31.03.2022	Current as at 31.03.2022	Non-current as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Buildings	49,106,052	5,718,398	-	(14,706,000)	40,118,450	10,613,234	29,505,216
	49,106,052	5,718,398	-	(14,706,000)	40,118,450	10,613,234	29,505,216
Loan/ Facilities obtained from Related Parties Group	Balance as At 01.04.2021	New Loan Obtained	Repayment	Balance as At 31.03.2022			
	Rs.	Rs.	Rs.	Rs.			
Aberdeen Holdings (Pvt) Ltd	42,000,000	-	(42,000,000)	-			
	42,000,000	-	(42,000,000)	-			

13.3

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

13.4 Term Loans

Company	Balance as At 01.04.2021	New Loan Obtained	Repayment	Balance as At 31.03.2022	Current as at 31.03.2022	Non-current as at 31.03.2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank of Ceylon	1,837,000	1,687,800,000	(1,541,637,000)	160,000,000	160,000,000	-
National Development Bank - LKR	253,727,120	1,990,470,544	(1,932,197,664)	312,000,000	312,000,000	-
Hatton National Bank	800,000,000	3,000,000,000	(3,100,000,000)	700,000,000	700,000,000	-
Seylan Bank	400,000,000	1,890,000,000	(1,277,500,000)	1,012,500,000	1,012,500,000	-
Amara Bank	716,500,000	2,685,356,863	(2,759,356,863)	642,500,000	642,500,000	-
Lanka Commodity Holdings (Pvt) Ltd	60,000,000	-	(60,000,000)	-	-	-
	2,244,064,120	11,253,627,407	(10,670,691,527)	2,827,000,000	2,827,000,000	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

14. RETIREMENT BENEFIT LIABILITY	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Defined Benefit Obligation - Gratuity				
Defined Benefit Obligation as at the Beginning of the Year	82,201,168	72,068,681	61,424,586	53,142,229
Interest cost	6,553,507	6,964,390	5,036,816	5,092,055
Current service cost	9,916,556	7,530,511	6,057,583	5,315,635
Benefits paid	(1,608,599)	(14,067,373)	(1,367,974)	(12,645,923)
Actuarial (gains)/losses on obligation	5,364,005	9,704,959	3,945,478	10,520,590
Defined Benefit Obligation as at the End of the Year	102,426,637	82,201,168	75,096,489	61,424,586

14.1 The Retirement Benefit Obligation of the Company as at 31st March 2022 is based on the Actuarial Valuation carried out by Messrs, Actuarial and Management Consultants (Private) Limited, a firm of Professional Actuaries.

14.2 Principal assumption used in determining post employment benefit obligation for the group are shown below:

	Group		Company	
Discount rate:	15.00%	7.30% - 8.20%	15.00%	8.20%
Salary Increase Rate	15.00%-17.00%	8.00% - 10.00%	15.00%	8.00%
Retirement age	60 Years	55-60 Years	60 Years	60 Years

The Retirement Benefit Plan of the Company was amended due to the increase in retirement age enacted by the Minimum Retirement Age of Workers Act No. 28 of 2021.

14.3 Sensitivity of assumptions employed in actuarial valuation	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
1% Increase in Discount Rate	(8,550,233)	(6,533,736)	(6,509,224)	(5,309,492)
1% Decrease in Discount Rate	9,816,482	7,510,304	7,492,081	6,148,475
1% Increase in Salary Increment Rate	9,396,651	6,988,688	7,020,275	5,782,833
1% Decrease in Salary Increment Rate	(8,347,242)	(6,206,947)	(6,223,803)	(5,098,042)

14.4 The following are the expected payments to the defined benefit plan in future years

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Within the next 12 months	6,431,788	5,018,947	4,421,999	2,621,738
Between 2 and 5 years	19,504,712	24,222,456	12,554,823	19,350,926
Between 5 and 10 years	24,795,649	19,925,825	17,617,418	10,562,755
Beyond 10 years	51,694,488	33,033,940	40,502,249	28,889,167
Total expected payments	102,426,637	82,201,168	75,096,489	61,424,586

The Group weighted average duration of the defined benefit plan obligation at the end of the reporting period is 10.22 years (2021: 9.14 years).

15. TRADE AND OTHER PAYABLES	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Trade Payables - Others	926,683,302	702,357,471	642,315,173	586,852,532
- Related Parties (15.1)	-	-	-	173,121
	926,683,302	702,357,471	642,315,173	587,025,653
Other Payables - Others	51,831,599	14,844,853	46,633,989	13,548,881
- Related Parties (15.2)	746,322	1,542,299	449,882	-
Sundry Creditors including accrued expenses	188,427,537	37,036,478	152,640,524	30,494,283
	1,167,688,760	755,781,101	842,039,568	631,068,817

15.1	Group				Company	
	Trade Payables - Related Parties		2022	2021	2022	2021
	Relationship		Rs.	Rs.	Rs.	Rs.
	Neptune Papers (Pvt) Ltd	Subsidiary	-	-	-	173,121
			-	-	-	173,121

15.2			Group		Company	
	Other Payables - Related Parties		2022	2021	2022	2021
	Relationship	Rs.	Rs.	Rs.	Rs.	
	Aberdeen Holdings (Pvt) Ltd	Parent	-	1,521,799	-	-
	Amana Takaful Ltd	Affiliate Company	199,187	-	199,187	-
	Expolanka Teas (Pvt) Ltd	Fellow Subsidiary	52,320	-	52,320	-
	Antler Foundry (Pvt) Ltd	Fellow Subsidiary	494,815	-	198,375	-
	Bio Extract (Pvt) Ltd	Fellow Subsidiary	-	20,500	-	-
			746,322	1,542,299	449,882	-

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

16.	REVENUE FROM CONTRACTS WITH CUSTOMERS	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
	Local Sales	3,762,357,255	1,980,490,669	2,696,137,187	1,739,663,882
	Export Sales	4,708,344,637	2,803,535,283	2,411,715,542	1,570,434,882
	Waste Sales - Export	58,387,830	-	58,387,830	-
	Service Income	2,958,586	2,979,895	-	-
		<u>8,532,048,308</u>	<u>4,787,005,847</u>	<u>5,166,240,559</u>	<u>3,310,098,764</u>

16.1 Set out below is the disaggregation of the Group/Company revenue from contracts with customers:

a)	Based on the nature of the product sold	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
	Types of Products and Services				
	Manufacture and sale of Corrugated Cartons	6,137,977,035	3,507,334,495	5,107,852,729	3,307,994,541
	Manufacture of papers / paper reels	2,083,379,897	1,100,455,445	-	-
	Recycling of fabric export sales	206,779,396	132,644,956	-	-
	Waste sales	100,953,394	43,591,056	58,387,830	2,104,223
	Service Income	2,958,586	2,979,895	-	-
		<u>8,532,048,308</u>	<u>4,787,005,847</u>	<u>5,166,240,559</u>	<u>3,310,098,764</u>
b)	Based on the geographical locations of the customers				
	Sri Lanka	6,699,132,842	2,301,777,490	4,979,381,638	1,739,663,882
	Other South Asia	1,855,001,757	2,432,710,764	161,521,612	1,538,206,656
	Other	25,337,309	52,517,593	25,337,309	32,228,226
		<u>8,532,048,308</u>	<u>4,787,005,847</u>	<u>5,166,240,559</u>	<u>3,310,098,764</u>
c)	Contract Balances - Liabilities				
	Advance Received	<u>38,304,787</u>	<u>8,316,019</u>	<u>8,225,262</u>	<u>4,515,530</u>

17.	OTHER OPERATING INCOME	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
	Profit on Disposal of Property, Plant and Equipment	-	13,025,421	-	12,725,138
	Gain on Fair Value Change in Investment Property - Note 6	-	6,760,750	-	6,760,750
	Gain on Bargain Purchase - Note 7.3	1,318,340	-	-	-
	Exchange Gain	273,903,116	36,661,001	257,522,267	31,053,386
	Sundry Income	32,708,554	6,428,271	29,573,800	1,711,015
	Income from Weighbridge Inhouse	4,366,413	3,231,636	-	-
	Relief of lease obligation	-	1,435,530	-	-
	Dividend Income	-	-	82,000,000	-
		<u>312,296,423</u>	<u>67,542,609</u>	<u>369,096,067</u>	<u>52,250,289</u>

18.	OTHER EXPENSES / LOSSES	Group		Company	
		2022	2021	2022	2021
		Rs.	Rs.	Rs.	Rs.
	Losses on disposal of Subsidiary	-	327,866	-	394,284
		<u>-</u>	<u>327,866</u>	<u>-</u>	<u>394,284</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

19. FINANCE COST	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Interest on Loans Obtained From Directors	-	5,235,997	-	5,235,997
Interest on Banking Finance	159,920,815	191,236,212	159,920,815	191,236,212
Finance Charge on Murabaha Loans	11,489,206	16,985,560	-	-
Finance Charge on Wakala Loans	11,773,847	19,941,071	-	-
Interest on Finance Lease (Ijara)	639,498	1,387,111	-	-
Lease Interest	12,158,667	12,891,178	5,718,398	6,734,336
	<u>195,982,033</u>	<u>247,677,129</u>	<u>165,639,213</u>	<u>203,206,545</u>

20. PROFIT/(LOSS) BEFORE TAX	Group		Company	
Stated after Charging,	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Included in Cost of Sales				
Employees Benefits including the following,				
- Defined Benefit Plan Costs - Gratuity	5,669,427	6,133,398	4,796,883	5,260,854
- Defined Contribution Plan Costs - EPF and ETF	19,031,889	16,252,875	16,309,959	13,530,945
Depreciation & Amortisation	67,160,527	58,943,559	54,883,787	46,666,819
Included in Administrative & Distribution Expenses				
Employees Benefits including the following,				
- Defined Benefit Plan Costs - Gratuity	10,282,607	8,361,503	6,297,515	5,146,836
- Defined Contribution Plan Costs - EPF and ETF	22,245,945	18,387,491	16,327,245	13,676,273
Depreciation & Amortisation	21,993,942	26,462,587	20,391,008	24,907,073
Auditor's Fees and Expenses - External	1,140,000	760,000	750,000	500,000
- Other	2,284,430	1,121,992	1,979,430	1,121,992

21. INCOME TAX

The major components of income tax expense for the years ended 31 March are as follows :

	Group		Company	
Income Statement	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Current Income Tax				
Current Income Tax Charge (Note 21.1)	99,429,527	31,347,799	37,453,595	27,883,729
ESC (Write back)/Write off/Provision for Income Tax Receivable	-	(8,089,842)	-	-
Under/(Over) Provision of Income Tax for the Previous Year	-	(8,295,000)	-	(8,295,000)
	<u>99,429,527</u>	<u>14,962,957</u>	<u>37,453,595</u>	<u>19,588,729</u>
Deferred Income Tax				
Deferred Taxation Charged (Note 21.2)	4,406,756	10,731,891	4,406,756	10,731,891
Deferred Taxation Reversal (Note 21.2)	(10,763,562)	(13,025,930)	-	-
Income tax expense reported in the Income Statement	<u>93,072,721</u>	<u>12,668,918</u>	<u>41,860,351</u>	<u>30,320,620</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

21. INCOME TAX (Contd....)**21.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:**

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Accounting Profit (Profit before Tax)	793,264,713	217,810,107	448,138,181	182,501,718
Aggregate Disallowed Items	170,260,377	197,636,282	126,371,851	115,861,654
Aggregate Allowable Items	(269,137,397)	(164,477,032)	(239,187,050)	(132,349,002)
Income from other Sources	118,719,745	(79,575)	119,412,448	-
Tax Loss Utilized	-	(60,708,609)	-	-
Taxable Profit	813,107,438	190,181,173	454,735,430	166,014,370
Tax on taxable income - Concessionary Rate	14%	44,358,427	14,728,992	21,325,486
Tax on taxable income - Concessionary Rate	18%	16,195,236	16,618,430	32,390,471
Tax on taxable income - Normal Rate	24%	28,646,370	377	732,245
Tax on Interest income	24%	4,489,494	-	8,978,987
Tax on Dividend income	14%	5,740,000	-	11,480,000
Total	99,429,527	31,347,799	74,907,189	27,883,729
50% of Total Tax			37,453,595	-

21.1.1 Tax Losses

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Tax Loss Brought Forward	-	65,483,878	-	-
Prior Year Adjustment	-	(4,775,269)	-	-
Tax Loss Incurred During the Year	-	-	-	-
Tax Loss Utilised during the year	-	(60,708,609)	-	-
Tax Losses Carried Forward	-	-	-	-

21.1.2 General provisions

Corporate Income Taxes of companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 24 of 2017 as amended.

21.1.3 Income tax rates**Concessionary Tax Rates**

In terms of the Inland Revenue Act No. 24 of 2017, the tax rates of the companies in the Group are stated below.

Nature of the Profits/Gains	Rates
Export Profits including Indirect Export	14%
Manufacturing	18%
Investment Income and Other Income	24%

* The budget 2021 proposed a 50% tax concession for the years 2021/2022 for companies that get listed in the CSE before 31 December 2021, and to maintain a corporate tax rate of 14% for the subsequent three years.

21.2 Deferred Tax Assets, Liabilities and Income Tax relates to the followings.

Group	Statement of Financial Position		Income Statement	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability /(Assets)				
On Capital allowances for tax purposes	25,882,527	23,972,142	1,910,385	(13,450,594)
On Fair value of investment property	25,682,561	16,051,601	9,630,960	676,075
On Defined benefit plans	(16,661,563)	(12,736,655)	(3,095,038)	6,361,978
On allowance for doubtful debt	(4,882,764)	(1,457,381)	(3,425,383)	566,244
On Carried forward disallowed finance cost	(31,769,886)	(21,180,207)	(10,589,679)	4,993,128
On Lease liability - Building	(566,538)	(186,488)	(380,050)	(1,440,870)
On allowance for Obsolete inventory	(408,000)	-	(408,000)	-
	(2,723,663)	4,463,012		
Deferred Tax Charge			4,406,756	10,731,891
Deferred Tax Reversal			(10,763,562)	(13,025,930)

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Year ended 31 March 2022

21. INCOME TAX (Contd...)**21.2 Deferred Tax Assets , Liabilities and Income Tax relates to the followings (Contd...)**

	Other Comprehensive Income			
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
On Revaluation of Land	44,232,151	44,232,151	-	(19,148,353)
On Revaluation of Building	11,385,341	11,385,341	-	(1,554,545)
Defined Benefit Plans	-	-	(829,869)	(1,569,106)
	55,617,492	55,617,492	(829,869)	(22,272,004)
Represented By,				
Net Deferred Tax Assets	(24,520,728)	(13,558,573)		
Net Deferred Tax Liability	77,414,557	73,639,077		

21.2 Deferred Tax Assets , Liabilities and Income Tax relates to the followings (Contd...)

Company	Statement of Financial Position		Income Statement	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability/(Asset)				
On Capital allowances for tax purposes	22,287,177	21,289,832	997,345	(13,724,789)
On Fair Value of Land/ Investment Property	25,682,561	16,051,601	9,630,960	676,075
On Defined benefit plans	(12,015,438)	(9,827,934)	(1,556,228)	6,735,184
On Allowance for Doubtful Debt	(2,323,935)	-	(2,323,935)	364,000
On Carried forward disallowed finance cost	(11,054,352)	(8,984,878)	(2,069,474)	17,188,457
On Lease liability - Building	(778,948)	(507,036)	(271,912)	(507,036)
	21,797,065	18,021,585	4,406,756	10,731,891
Deferred Tax (Reversal)/Expense				

	2022		2021	
	Rs.	Rs.	Rs.	Rs.
	Rs.	Rs.	Rs.	Rs.
On Revaluation of Land	44,232,151	44,232,151	-	(19,148,353)
On Revaluation of Building	11,385,341	11,385,341	-	(1,554,545)
On Defined Benefit Plans	-	-	(631,276)	(1,683,294)
	55,617,492	55,617,492	(631,276)	(22,386,192)
Net Deferred Tax Liability	77,414,557	73,639,077		

22. BASIC/DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to equity holders of the company, by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations

	Group		Company	
	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Amounts used as the numerator :				
Net profit attributable to equity holders of the company	619,198,698	205,207,607	406,277,830	152,181,098
Amounts used as the denominator :				
Weighted average number of ordinary shares in issue applicable to basic earnings per share *	284,722,222	250,000,000	284,722,222	250,000,000
Earnings Per Share (Rs.)	2.17	0.82	1.43	0.61

* The weighted average number of shares takes into account the weighted average effect of share split occurred during the year. The weighted average shares were 50,000,000 before share split.

The company issued new shares amounting to 83,333,333 through a Initial Public Offer on 10 November 2021.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

23. DIVIDENDS PER SHARE	Company			
	2022		2021	
	Dividend per share	Gross dividend	Dividend per share	Gross dividend
	Rs.	Rs.	Rs.	Rs.
Equity dividend on ordinary shares declared and paid during the year				
Final dividend (Previous years' final dividend paid in the current year)	0.09	30,000,000	0.41	102,000,000
First interim dividend declaration	0.20	66,666,667	-	-
Second interim dividend declaration	0.20	66,666,667	-	-
	0.49	163,333,334	0.41	102,000,000

24. COMMITMENTS AND CONTINGENCIES**24.1 Capital Commitments**

The Company does not have significant capital commitments as at the reporting date.

24.2 Contingencies	Group/Company	
	2022	2021
	Rs.	Rs.
Corporate Guarantee - National Development Bank		
Expo Teas Ceylon (Pvt) Ltd	800,000,000	800,000,000
Lanka Commodity Holdings (Pvt) Ltd	1,000,000,000	1,000,000,000
Lanka Commodity Holdings (Pvt) Ltd / Lanka Commodity Trading (Joint Facility)	200,000,000	200,000,000
Aberdeen Holdings (Pvt) Ltd	300,000,000	300,000,000
Fits Aviation (Pvt) Ltd	100,000,000	100,000,000
	2,400,000,000	2,400,000,000

25. ASSETS PLEDGED

The following assets have been pledged as security for liabilities

		Group/Company	
Nature of Assets	Nature of Liabilities	2022	2021
		Rs.	Rs.
I -Primary Mortgage over Stock and book debts for Rs. 600,000,000/=	Murabaha Facility National Development Bank PLC	600,000,000	600,000,000
- Existing Primary Floating Mortgage Over the Stock stored No 79, Pattiwila Road, Gonawala			
II Short-term deposits held at Seylan Bank PLC for Rs. 700,000,000	Wakala Loan Seylan Bank PLC	630,000,000	-

26. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

27. RELATED PARTY DISCLOSURE**27.1 Transaction with the parent and affiliated entities**

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

The details of guarantees provided to the banks on behalf of related parties are disclosed in Note 27.2

Group	Parent *		Affiliated Companies **		Total	
	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	36,365,154	16,339,141	46,810,610	10,080,450	83,175,764	26,419,591
Expense incurred for others	54,000	-	472,623	33,402	526,623	33,402
Loans Provided	85,770,544	-	592,220,000	-	677,990,544	-
Loans Settled	(43,770,544)	25,000,000	(416,650,000)	-	(460,420,544)	25,000,000
Mark-up income charged	498,646	(5,854,399)	11,885,547	3,651,449	12,384,193	(2,202,950)
Mark-up income received	(272,847)	-	(6,826,472)	-	(7,099,319)	-
Sale Invoices	182,393	142,838	376,470,584	15,525,092	376,652,977	15,667,930
Courier Charges	-	-	(676,347)	297,595	(676,347)	297,595
Purchase of Paper Reel/Stationaries	-	12,750	(338,313,733)	194,272,906	(338,313,733)	194,285,656
Cash Receipts/Payment Made	134,849,734	112,242,574	(18,719,927)	(173,980,784)	116,129,807	(61,738,210)
Purchase of Tea & Meals	-	-	(2,102,087)	(1,170,211)	(2,102,087)	(10,598,301)
Management/Consultancy Fee	(3,878,600)	(9,428,090)	(2,896,275)	5,161,160	(6,774,875)	5,161,160
Insurance Policy	-	-	(11,374,641)	(7,941,100)	(11,374,641)	(7,941,100)
Dividend Paid	(135,000,000)	(102,000,000)	-	-	(135,000,000)	(102,000,000)
Intent Commission	-	-	(327,894)	855,906	(327,894)	855,906
Secretarial Expenses	(38,835)	-	-	-	(38,835)	-
Subscription paid	-	(89,660)	-	-	-	(89,660)
Technical Fees	-	-	(7,012,959)	-	(7,012,959)	-
Rental Income	-	-	-	24,745	-	24,745
As at 31 March	74,759,645	36,365,154	222,959,029	46,810,610	297,718,674	83,175,764
Included Under,						
Trade Receivables (Note 9.1)	-	-	10,152,886	2,352,414	10,152,886	2,352,414
Other Receivables (Note 9.2)	74,759,645	79,886,953	213,552,465	44,478,696	288,312,110	124,365,649
Term Loans (Note 13.4)	-	(42,000,000)	-	-	-	(42,000,000)
Trade Payables (Note 15.1)	-	-	-	-	-	-
Other Payables (Note 15.2)	-	(1,521,799)	(746,322)	(20,500)	(746,322)	(1,542,299)
	74,759,645	36,365,154	222,959,029	46,810,610	297,718,674	83,175,764

* Parent of the Company is Aberdeen Holdings (Private) Limited.

** Affiliated Companies includes, Lanka Commodity Holdings (Pvt) Ltd, Bio Extracts (Pvt) Ltd, Fits Express (Pvt) Ltd, Fits Aviation (Pvt) Ltd, Lanka Food Solutions (Pvt) Ltd, Amana Takaful Ltd, Expo Commodities DMCC and Expolanka Teas (Pvt) Ltd, Hi Energy Services (Pvt) Ltd, Antler Foundry (Pvt) Ltd, DFC Roasters (Pvt) Ltd.

27.2 The following Corporate Guarantee have been obtained as at reporting date.

		Group / Company	
Nature of Assets	Nature of Liabilities	2022	2021
		Rs.	Rs.
I Corporate Guarantee of Aberdeen Holdings (Private) Limited	Wakala Facility of Bank of Ceylon	600,000,000	600,000,000
II Corporate Guarantee of Aberdeen Holdings (Private) Limited	Wakala Facility of Hatton National Bank	700,000,000	700,000,000
III Corporate Guarantee of Aberdeen Holdings (Private) Limited	Standard Chartered Bank Trade documents (Co-Current Stock Mortgage Rs.500mn)	500,000,000	500,000,000
IV Corporate Guarantee of Aberdeen Holdings (Private) Limited	Murabaha Facility National Development Bank PLC	150,000,000	150,000,000
V Corporate Guarantee of Aberdeen Holdings (Private) Limited	Wakala Facility National Development Bank PLC	200,000,000	200,000,000
VI Corporate Guarantee of Fits Aviation (Private) Limited	Murabaha Facility National Development Bank PLC	150,000,000	150,000,000
VII Corporate Guarantee of Lanka Commodity Holdings (Private) Limited	Murabaha Facility National Development Bank PLC	500,000,000	500,000,000
VIII Corporate Guarantee of ExpoTeas Ceylon (Private) Limited	Wakala Facility National Development Bank PLC	200,000,000	200,000,000
IX Corporate Guarantee of Aberdeen Holdings (Private) Limited	Wakala Facility of Seylan Bank PLC	400,000,000	200,000,000
X Corporate Guarantee of Aberdeen Holdings (Private) Limited	Trade Facility of Cargills Bank PLC	-	200,000,000

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

28. RELATED PARTY DISCLOSURE (Contd...)**28.1 Transaction with the parent and affiliated entities (Contd...)**

Company	Parent *		Subsidiaries**		Affiliated Companies ***		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April	53,734,141	59,604,901	(173,121)	(90,385)	33,806,413	12,501,996	87,367,433	72,016,512
Expense incurred for others	-	-	-	-	471,623	33,402	471,623	33,402
Loans Provided	85,770,544	-	-	-	577,220,000	-	662,990,544	-
Loans Settled	(85,770,544)	-	-	-	(416,650,000)	-	(502,420,544)	-
Mark-up income charged	272,847	-	-	-	11,885,547	-	12,158,394	-
Mark-up income received	(272,847)	-	-	-	(6,826,472)	-	(7,099,319)	-
Sale Invoices	-	-	47,725,070	-	41,841,365	12,328,635	89,566,435	12,328,635
Courier Charges	-	-	-	-	(308,505)	-	(308,505)	-
Purchase of Paper Reel/Stationaries	-	-	(667,745)	(2,750,176)	-	-	(667,745)	(2,750,176)
Cash Receipts/Payment Made	135,000,000	103,481,330	(46,366,394)	2,667,440	(17,003,940)	18,053,691	71,629,666	124,202,461
Purchase of Tea & Meals	-	-	-	-	(2,102,087)	(1,170,211)	(2,102,087)	(1,170,211)
Management/Consultancy Fee	(3,353,600)	(7,352,090)	-	-	-	-	(3,353,600)	(7,352,090)
Insurance Policy	-	-	-	-	(11,374,641)	(7,941,100)	(11,374,641)	(7,941,100)
Dividend Received	-	-	82,000,000	-	-	-	82,000,000	-
Dividend Paid - (Net)	(135,000,000)	(102,000,000)	(82,000,000)	-	-	-	(217,000,000)	(102,000,000)
IT Services	-	-	-	-	(4,173,225)	-	(4,173,225)	-
As at 31 March	50,380,541	53,734,141	517,810	(173,121)	206,786,078	33,806,413	257,684,429	87,367,433
Included Under,								
Trade Receivables (Note 9.1)	-	-	517,810	-	10,152,886	2,352,414	10,670,696	2,352,414
Other Receivables (Note 9.2)	50,380,541	53,734,141	-	-	197,083,074	31,453,999	247,463,615	85,188,140
Trade Payables (Note 15.1)	-	-	-	(173,121)	-	-	-	(173,121)
Other Payables (Note 15.2)	-	-	-	-	(449,882)	-	(449,882)	-
	50,380,541	53,734,141	517,810	(173,121)	206,786,078	33,806,413	257,684,429	87,367,433

* Patent of the Company is Aberdeen Holdings (Private) Limited.

** Subsidiaries companies include Neptune Papers (Pvt) Ltd, Saffron Food Services (Pvt) Ltd, Neptune Recycles (Pvt) Ltd, Neptune Eco Friends (Pvt) Ltd.

*** Affiliated companies includes, Lanka Commodity Holdings (Pvt) Ltd, Bio Extracts (Pvt) Ltd, , Amana Takaful Ltd, Expolanka Teas (Pvt) Ltd, Lanka Foods Solutions (Pvt) Ltd, Hi Energy (Pvt) Ltd, Flits Express (Pvt) Ltd, Flits Aviation (Pvt) Ltd Expoceylon Pharmaceuticals (Pvt) Ltd, DFC Roasters (Pvt) Ltd, Antler Foundry (Pvt) Ltd, Denshun Industries (Pvt) Ltd and Expo Commodities DMCC.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

28. RELATED PARTY DISCLOSURE (Contd...)**28.2 Transactions with Key Management Personnel of the Company**

The key management personnel of the Company are the members of its Board of Directors and those of its parent. There are no transaction with such KMP and their close family members, other than mentioned below.

	Group		Company	
	2022	2021	2022	2021
a) Key Management Personnel Compensation	Rs.	Rs.	Rs.	Rs.
Short-term employee benefits	68,443,242	65,113,225	59,345,617	56,015,600
Post employee benefits	12,910,096	12,910,096	11,502,921	11,502,921
	<u>81,353,338</u>	<u>78,023,321</u>	<u>70,848,538</u>	<u>67,518,521</u>

b) Loan obtained from Key Management Personnel

Please refer Note No. 13.3 for short term loans obtained from directors and refer Note No. 19 for related interest cost.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise trade and other payables as well as Islamic Finance loans and borrowings (bank loans, finance lease and director loans). The main purposes of these financial liabilities is to finance the company's operations and fixed assets. The company has trade and other receivables, and cash that arrive directly from its operations.

The Group is exposed to market risk, credit risk, foreign exchange risk and liquidity risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

29.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and equity investments.

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

29.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term and long term debt obligations with fixed interest rates.

	Increase/ decrease in basis points	Company	Group
		Effect on profit before tax	Effect on profit before tax
		Rs.	Rs.
2022	+200	53,915,000	58,635,324
	-200	(53,915,000)	(58,635,324)
2021	+200	47,459,340	52,275,634
	-200	(47,459,340)	(52,275,634)

29.3 Foreign exchange risk

The Group's exposure to foreign exchange risk is significant as the transactions with its main Customers and its main suppliers are denominated in United States Dollars. Hence, the element of risk is generated through the translation of such transactions into the reporting currency, i.e. Sri Lankan rupee.

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency risk as at 31st March 2022, and sensitivity analysis to profit & loss and equity if exchange rate increased / (decreased) by 20%.

Foreign exchange risk (Contd...)			Company		Group	
As at 31 March 2022	Change in rates		Effect on profit before tax		Effect on profit before tax	
			Rs.	Rs.	Rs.	Rs.
USD	+ 20%	- 20%	100,815,720	(100,815,720)	147,734,528	(147,734,528)
As at 31 March 2021						
USD	+ 20%	- 20%	62,135,867	(62,135,867)	107,970,664	(107,970,664)

29.4 Credit risk

The Group's exposure to credit risk is minimal from its trade receivables. The Company has agreed to receive its exports sales proceeds in advance DP & through Letter of Credit. The Company also obtains bank guarantee from the customers.

The Group trades only with recognized and credit worthy third parties and all customers are subject to a credit verification process. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is minimal.

Carrying amount of financial assets represents the maximum credit exposure of those assets. The Group's maximum exposure to credit risk at the reporting date were as follows;

		2022		2021	
	Note	Rs.	%	Rs.	%
Trade and other receivables	9.	1,973,933,860	58%	1,379,052,475	70%
Short term financial assets	10.	466,974,657	14%	483,000,000	25%
Cash at bank and cash equivalents	11.	975,074,368	29%	94,740,680	5%
		<u>3,415,982,885</u>	<u>100%</u>	<u>1,956,793,155</u>	<u>100%</u>

29.5 Trade receivables

Customer credit risk is managed by each company subject to the Group's policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation policy and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are monitored on a regular basis.

Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts to our customers on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend. Company has a diverse client portfolio limiting the risk of exposure to few large customers or sectors allowing to successfully navigate any credit risks.

29.6 Cash and cash equivalents and fixed deposits

Credit risk from balances with banks is managed in accordance with the Group treasury policy. Investments of surplus funds are made only with approved counterparties as per this policy. The credit rating of the banks are assessed before investments and the group has borrowings from the same banks where the deposits are held providing a natural hedge.

The Group held cash in hand and at bank equivalents of Rs. 963.1 Mn at 31 March 2022 (2021 -Rs. 94.7 Mn) which represents its maximum credit exposure on these assets. Company also held fixed deposits of Rs. 466.9 Mn as at 31 March 2022 (2021 -Rs. 483 Mn).

29.7 Liquidity risk

The Company is indemnified of any liquidity risk by a letter of support issued by the Parent Company, undertaking to provide whatever financial support as may be necessary to enable the Group/Company, to meet its obligations as they fall due and to continue the operation of the Group/Company as a going concern.

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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)**29.7.1 Maturity analysis - Group**

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2022 based on contractual undiscounted payments.

	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31 March 2022						
Financial liabilities						
Term Loans	-	1,599,588,889	1,492,833,333	-	-	3,092,422,222
Lease liabilities	-	8,065,721	22,174,733	79,480,968	-	109,721,422
Bank overdrafts	-	11,892,979	-	-	-	11,892,979
Trade and other payables	-	914,973,441	241,362,782	11,352,537	-	1,167,688,760
		<u>2,534,521,029</u>	<u>1,756,370,848</u>	<u>90,833,505</u>	<u>-</u>	<u>4,381,725,382</u>
	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31 March 2021						
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Term Loans	-	1,898,000,000	692,564,120	-	-	2,590,564,120
Loans related party	-	42,000,000	-	-	-	42,000,000
Lease liabilities	-	7,248,198	15,750,109	75,931,171	-	98,929,477
Bank overdrafts	-	21,129,730	-	-	-	21,129,730
Trade and other payables	-	303,254,555	437,285,048	15,241,498	-	755,781,101
		<u>2,227,632,482</u>	<u>1,145,599,277</u>	<u>91,172,669</u>	<u>-</u>	<u>3,508,404,428</u>

29.7.1 Maturity analysis - Company

	demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31 March 2022						
Financial liabilities						
Term Loans	-	1,342,500,000	1,484,500,000	-	-	2,827,000,000
Lease liabilities	-	2,526,074	8,087,160	29,505,216	-	40,118,450
Bank overdrafts	-	11,892,979	-	-	-	11,892,979
Trade and other payables	-	642,315,172	199,724,395	-	-	842,039,567
		<u>1,999,234,226</u>	<u>1,692,311,555</u>	<u>29,505,216</u>	<u>-</u>	<u>3,721,050,997</u>
	Payable on demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31 March 2021						
Financial liabilities						
Term Loans	-	1,576,500,000	667,564,120	-	-	2,244,064,120
Lease liabilities	-	1,881,338	7,106,265	40,118,450	-	49,106,053
Bank overdrafts	-	21,129,730	-	-	-	21,129,730
Trade and other payables	-	214,505,720	416,563,096	-	-	631,068,816
		<u>1,814,016,788</u>	<u>1,091,233,481</u>	<u>40,118,450</u>	<u>-</u>	<u>2,945,368,719</u>

30. CAPITAL MANAGEMENT

Capital includes ordinary shares. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders and issue new shares.

	Group		Company	
As at 31 March	2022	2021	2022	2021
	Rs.	Rs.	Rs.	Rs.
Debt / Equity	169%	351%	165%	276%



sharing

Our Ownership

8. SHARE INFORMATION

8.1 Stated Capital

The Stated Capital of the Company comprises 333,333,333 Ordinary Voting Shares representing a value of LKR 1,199,999,997 as at the end of 31st March 2022.

As at	31st March 2022		31st March 2021	
	No of Shares	Value of Shares (LKR)	No of Shares	Value of Shares (LKR)
At the beginning of the financial year	250,000,000	500,000,000	50,000,000	500,000,000
Share Issue - IPO	83,333,333	700,000,000		
At the end of the financial year	333,333,333	1,200,000,000	50,000,000	500,000,000

8.2 Twenty Largest Shareholders of the Company

		As at 31/03 /2022		As at 31 /03 /2021	
Name of the Shareholder		Number of Shares	%	Number of Shares	%
1 ABERDEEN HOLDINGS (PRIVATE) LIMITED		250,000,000	75.00%	50,000,000	100.00%
2 BANK OF CEYLON A/C CEYBANK UNIT TRUST		4,009,610	1.20%	N/A	
3 MR. MOHAMED NALEEM MOHAMED MUBARAK		2,025,888	0.61%	N/A	N/A
4 BANK OF CEYLON A/C CEYBANK CENTURY GROWTH FUND		2,000,000	0.60%	N/A	N/A
5 MERCHANT BANK OF SRI LANKA & FINANCE PLC/M.A.		1,600,000	0.48%	N/A	N/A
6 PHANTOM INVESTMENTS (PRIVATE) LIMITED		972,421	0.29%	N/A	N/A
7 MR. WANNAKAWATHTHA WADUGE DON DAMMIKA SUSIRI PERERA		900,000	0.27%	N/A	N/A
8 PEOPLE'S LEASING & FINANCE PLC/HI LINE TOWERS (PVT) LTD		800,000	0.24%	N/A	N/A
9 DFCC BANK PLC/N.G. MAHINDA		766,875	0.23%	N/A	N/A
10 MERCHANT BANK OF SRI LANKA & FINANCE PLC/K.L.K.M. INDIKA		700,000	0.21%	N/A	N/A
11 MISS. HEWA JUWAN KANKANANGE UDYOGI WIJERAME		636,715	0.19%	N/A	N/A
12 MR. SUBRAMANIAM VASUDEVAN		612,612	0.18%	N/A	N/A
13 MRS. SAMARAKOON MUDIYANSELAGE CHAMMI NEELIKA KUMARI SAMARAKOON		586,480	0.18%	N/A	N/A
14 PROF. MOHAMED THASSIM AHAMED FURKHAN		519,426	0.16%	N/A	N/A
15 MR. DINESH NIROSH PRADEEP RATHNAYAKE		500,517	0.15%	N/A	N/A
16 MR. MALLAWAARACHCHI RASIKA		500,000	0.15%	N/A	N/A
17 PEOPLE'S LEASING & FINANCE PLC/ SADAHARITHA CAPITAL TRUST LIMITED		500,000	0.15%	N/A	N/A
18 MR. KABEER RIFAI MOHAMED AKRAM		417,300	0.13%	N/A	N/A
19 MR. ROSHAN SAMPATH WIJERATHNE		394,200	0.12%	N/A	N/A
20 MERCHANT BANK OF SRI LANKA & FINANCE PLC/U.D. PREMAKUMARA		391,440	0.12%	N/A	N/A
		268,833,484	80.65%	50,000,000	100.00%
Others		64,499,849	19.35%	0	0.00%
TOTAL		333,333,333	100.00%	50,000,000	100.00%

8.3 Distribution of Shareholders

As of 31 st March 2022									
Value Band	No of Share Holders	Resident No of Shares	%	No of Share Holders	Non - Resident No of Shares	%	No of Share Holders	Total No of Shares	%
1 - 1,000	1,937	863,067	0.26%	1	300	0.00%	1,938	863,367	0.26%
1,001 - 10,000	2,370	10,596,597	3.18%	4	11,000	0.00%	2,374	10,607,597	3.18%
10,001 - 100,000	1,254	34,585,534	10.38%	8	270,126	0.08%	1,262	34,855,660	10.46%
100,001 - 1,000,000	116	27,371,211	8.21%	0	0	0.00%	116	27,371,211	8.21%
Over 1,000,000	5	259,635,498	77.89%	0	0	0.00%	5	259,635,498	77.89%
TOTAL	5,682	333,051,907	99.92%	13	281,426	0.08%	5,695	333,333,333	100.00%
As of 31 st March 2021,									
Value Band	No of Share Holders	Resident No of Shares	%	No of Share Holders	Non - Resident No of Shares	%	No of Share Holders	Total No of Shares	%
1 - 1,000	-	-	-	-	-	-	-	-	-
1,001 - 10,000	-	-	-	-	-	-	-	-	-
10,001 - 100,000	-	-	-	-	-	-	-	-	-
100,001 - 1,000,000	-	-	-	-	-	-	-	-	-
Over 1,000,000	1	50,000,000	100.00%	-	-	-	1	50,000,000	100.00%
TOTAL	1	50,000,000	100.00%	-	-	-	1	50,000,000	100.00%

8.4 Composition of Shareholders

As at	31st March 2022			31st March 2021		
Categories of Shareholders	No of Shares	Holding %	No of shareholders	No of Shares	Holding %	No of shareholders
Individuals	58,570,441	17.57%	5,378	N/A	N/A	N/A
Institutions	274,762,892	82.43%	317	50,000,000	100.00%	1
Total	333,333,333	100.00%	5,695	50,000,000	100.00%	1

8.5 Directors and MD's Shareholding

As at	31st March 2022		31st March 2021	
Name of the Director	No of Shares	Holding % as of total no of Issued Shares	No of Shares	Holding % as of total no of Issued Shares
Mr.Sattar Kassim	94,800	0.03%	0	0.00%
Mr. Shafik Kassim	14,400	0.00%	0	0.00%
Mr.Zulficar Ghouse (Managing Director)	14,400	0.00%	0	0.00%
Mr. Abdullah Kassim	14,400	0.00%	0	0.00%
Mr. Thulci Aluwihare	Nil	Nil	0	
Mr. Dinesh Dharmadasa	12,400	0.00%	0	
Ms. Shehara De Silva	13,100	0.00%	0	0.00%
Mr. Mohamed Riyaz	85,910	0.03%	0	0.00%
Total	249,410	0.07%	Nil	0.00%

8.6 Public Shareholdings

As at	31st March 2022			31st March 2021		
	No of Shares	Holding %	No of shareholders	No of Shares	Holding%	No of shareholders
Shares held by Public - shareholders	82,519,323	24.76%	5,675	0		
Shares held by Non - public shareholders	250,814,010	75.24%	21	50,000,000	100.00%	1
Total	333,333,333	100.00%	5,696	50,000,000	100.00%	1

8.7 Market information on Ordinary Shares of the Company

As at	31st March 2022		31st March 2021	
Ordinary Voting Shares	Rs.		Rs.	
Highest Price Per Share	25.4		N/A	
Lowest Price Per Share	9		N/A	
Closing Price Per Share	9.9		N/A	

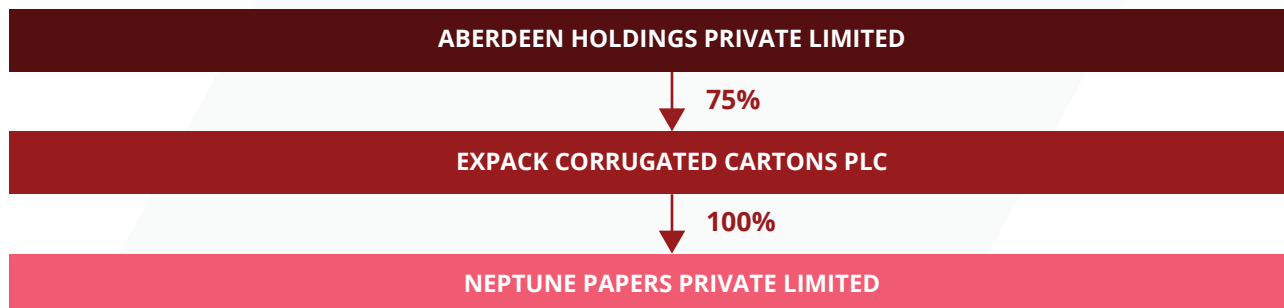


Power, Today,

Comes from
information,
not withholding it!

9. SUPPLEMENTARY INFORMATION

9.1 Group structure



Aberdeen Holdings Private Limited

Aberdeen Holdings is a diversified conglomerate headquartered in Colombo, Sri Lanka. The organization was founded in 1995 and has grown to be a hub of knowledge and business expertise that spans its operations across 11 industries and 13 primary subsidiaries. Today, Aberdeen Holdings aids in impacting millions of lives towards building a sustainable and equitable future for all.

The key focus of Aberdeen Holdings lies in bridging communities, spurring innovation, and ensuring equal opportunity, intending to revolutionize and transform businesses in Sri Lanka. The organization envisions invigorating local industries while continuing to nurture and inspire its subsidiaries to be the driving force behind positive change across their respective industries. The sectors that Aberdeen Holdings operates in, extend across packaging, pharmaceutical, aviation, commodity trading, software & digital, logistics & supply chain, tea & coffee, recycling, renewable energy and farming.

At Aberdeen Holdings, forward-thinking takes centre stage, with a strong agenda of sustainability across the board. Through a team of experienced professionals, the organization is persistent in helping Sri Lankan industries expand and reach their fullest potential, sustainably.

Neptune Papers Private Limited

Neptune Papers (Pvt) Limited is one of the subsidiaries of Ex-pack which was incorporated in 1993 and is ranked the Top wastepaper exporter in Sri Lanka. Neptune Papers provide an important shredding service to banks, government agencies and other institutions for the secure shredding of their confidential documents, free of charge, in the presence of their officials.

The products are then baled using automatic machinery using state-of-the-art technologies. The bales of shredded papers are then exported for recycling purposes to India, Pakistan, Bangladesh, UAE & Singapore.

9.2 Performance Summary Two Year Summary - Group & Company

ALL FIGURES IN ('000)	GROUP		COMPANY	
AS AT 31 MARCH	2022	2021	2022	2021
	RS.	RS.	RS.	RS.
OPERATING RESULTS				
Revenue	8,532,048	4,787,006	5,166,241	3,310,099
Gross Profit	1,305,335	928,686	818,609	759,589
EBITA	908,145	465,554	613,777	385,708
Net Profit before Tax	712,163	217,877	448,138	182,502
Profit for the Year	619,090	205,208	406,278	152,181
Total Comprehensive Income	614,556	292,811	402,964	239,083
ASSETS EMPLOYED				
Total Non - current Assets	1,992,882	1,740,065	1,883,176	1,641,644
Total Current Assets	4,579,033	2,755,536	3,790,999	2,325,485
Total Assets	6,571,915	4,495,601	5,674,175	3,967,129
CAPITAL EMPLOYED				
Stated Capital	1,200,000	500,000	1,200,000	500,000
Total Equity	1,900,581	783,440	1,744,329	838,780
Total Non - Current Liabilities	259,322	231,771	182,016	175,182
Total Current Liabilities	4,412,012	3,480,390	3,747,829	2,953,167
Total Liabilities	4,671,334	3,712,161	3,929,846	3,128,349
Total Equity and Liabilities	6,571,915	4,495,601	5,674,175	3,967,129

9.2.1 Performance Summary Two Year Summary - Group

ALL FIGURES IN ('000)		
CASHFLOW	2022	2021
Net Cash Flow from/(used in) Operating Activities	207,461	376,774
Net Cash Flow from/(used in) Investing Activities	(241,614)	(551,933)
Net Cash Flow from / (used in) Financial Activities	923,723	141,667
Cash and Cash Flow Equivalents at the end of the year	963,181	73,611
KEY INDICATORS		
Earnings Per Share (Rs)	2.17	0.82
DIVIDEND PAYOUT		
Net Asset Value Per Share	5.70	3.13
ROA (%)	14%	10%
ROE (%)	33%	26%
Debt/ Equity Ratio (%)	169%	351%
Current Ratio (Times)	1.04	0.79
Revenue Growth Rate (%)	78%	4%

9.2.2 Performance Summary Two Year Summary - Company

ALL FIGURES IN ('000)		
CASHFLOW	2022	2021
Net Cash Flow from/(used in) Operating Activities	(156,322)	300,123
Net Cash Flow from/(used in) Investing Activities	(171,999)	(551,994)
Net Cash Flow from / (used in) Financial Activities	1,070,816	259,584
Cash and Cash Flow Equivalents at the end of the year	805,957	63,462
KEY INDICATORS		
Earnings Per Share (Rs)	1.43	0.61
Dividend Per Share (Rs)	0.49	2.04
Dividend Payout	34%	67%
Net Asset Value Per Share	5.23	3.36
ROA (%)	11%	10%
ROE (%)	23%	18%
Debt / Equity Ratio (%)	165%	276%
Current Ratio (Times)	1.01	0.79
Revenue Growth Rate (%)	56%	10%

CORPORATE INFORMATION

THE COMPANY NAME	Ex-pack Corrugated Cartons PLC
DATE OF INCORPORATION	19 March 2002
PLACE OF INCORPORATION	Colombo, Sri Lanka
LEGAL FORM	Incorporated in Sri Lanka as a Private Limited Company on 19 March 2002 under the provisions of Companies Act No.17 of 1982 and on 16 April 2008 under the provisions of Companies Act No. 7 of 2007. The legal form of the company was changed from Private Limited to a Public Limited Company under provisions of the Companies Act No. 07 of 2007 on 27 March 2019. The company is listed on the Colombo Stock Exchange on 10th of November 2021. Authority of Incorporation: Registrar of Companies (ROC), Colombo
COMPANY REGISTRATION NUMBER	PQ 00250068
REGISTERED OFFICE AND CURRENT PLACE OF BUSINESS	Ex-pack Corrugated Cartons PLC No 11A, Milepost Avenue, Colombo-03. Tel : +94 11 2689618 Fax : +94 11 2689618
BOARD OF DIRECTORS	Mr. Sattar Kassim - Non-Executive Non-Independent Director/ Chairman Mr. Zulficar Ghouse - Executive Non-Independent Director/Managing Director Mr. Shafik Kassim - Non- Executive Non-Independent Director Mr. Abdullah Kassim - Executive Non-Independent Director Mr. Thulci Aluwihara - Non- Executive Independent Director Mr. Dinesh Dharmadasa - Non- Executive Independent Director Ms. Shehara De Silva - Non- Executive Independent Director
COMPANY SECRETARIES	Business Intelligence (Private) Limited No. 08, Tickell Road, Colombo 08 Tel : +94 11 2 015900
AUDITORS TO THE COMPANY	Ernst & Young Chartered Accountants 201, De Saram Place Colombo 10, Colombo Tel : +94 11 246 3500 Fax : +94 11 269 7369
BANKERS TO THE COMPANY	Amana Bank Ltd. 486, Galle Road, Colombo 3 Tel : +94 117 756 756 Fax : +94 112 574 419 Bank of Ceylon No.1, BOC Square, Bank of Ceylon Mawatha, Colombo 01 Tel : +94 11 244 6790 Fax : +94 11 232 1160 Hatton National Bank PLC Level 19, No. 479, T B Jayah Mawatha, Colombo 10 Tel : +94 11 246 2462 Fax : +94 11 266 2759 Pan Asia Banking Corporation PLC 450, Galle Road, Colombo 03 Tel : +94 11 4 667 222 Fax : +94 11 2 565 565 Standard Chartered Bank (Sri Lanka) Limited No. 37, York Street, Colombo 01 Tel : +94 11 248 0000 Fax : +94 11 545 0007 NDB Bank PLC 103A Srimath Anagarika Dharmapala Mawatha, Colombo 03 Tel: +94 117 448 004 Seylan Bank PLC Seylan Towers, No 90, Galle Road, Colombo 03. Tel: +94 11 2 008 888

GLOSSARY OF TERMS

ACCRUAL BASIS	Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period
"ARTICLES OF ASSOCIATION"	Articles of Association of Luminex Limited
CURRENT RATIO	Current Assets / Current Liabilities
"COMPANIES ACT"	Companies Act No. 07 of 2007
"DIRECTORS"	The Directors for the time being of the Company, unless otherwise stated
DEBT/EQUITY	Short and long term interest bearing loans and borrowings / Total equity
EX-PACK	Ex-Pack Corrugated Cartons PLC
EPS	Profit attributable to equity holders / Weighted Average number of Shares in issue
HUMAN CAPITAL	Human Resources
"LOCAL TIME"	Sri Lanka Time
"MARKET DAY"	Any day on which the CSE is open for trading
NET ASSETS	Total Equity
NET ASSET VALUE PER SHARE	Total Equity / Number of shares as of period end
NON-CONTROLLING INTEREST	Non-controlling interest of the parent company is the portion of equity ownership in a subsidiary not attributable to the parent company.
"ORDINARY VOTING SHARES" ORDINARY VOTING SHARES", "ISSUED AND PAID UP ORDINARY SHARES"	Ordinary shares of the Company, with the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company in liquidation
PUBLIC HOLDING	Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the end of this financial year
PAT	Profit after tax
ROA	Earnings before interest and tax / Total Assets
ROCE	Earnings before Interest and tax / Total equity + long term and short term interest bearing loans and borrowings
ROE	Profit after Tax / Total Equity
"STATED CAPITAL"	The Stated Capital of Ex-pack
"THE BOARD", "THE BOARD OF DIRECTORS"	The Board of Directors of Ex-pack
TOTAL DEBT	Long term liabilities plus short term liabilities
TOTAL EQUITY	Shareholders' funds plus non-controlling interest

ABBREVIATIONS

"Articles of Association"	Articles of Association of Luminex Limited
"Bn"	Billion
"CAGR"	Compounded Annual Growth Rate
"CBSL"	Central Bank of Sri Lanka
"CDS"	Central Depository Systems (Private) Limited
"CSE"	Colombo Stock Exchange
"EPS"	Earnings Per Share
"Float Adjusted Market Capitalisation"	Public holding percentage of the Company multiplied by the market capitalization of the Company
"FYE"	Financial Year Ended
"GDP"	Gross Domestic Product
"IPO"	Initial Public Offer
"ISO"	International Organization for Standardization
"LKR", "Rs.", "Rupees"	Sri Lankan Rupees
"Local Time"	Sri Lanka Time
"Mn"	Million
"NAV"	Net Asset Value
"P/E"	Price Earnings Ratio
"ROA"	Return on Assets
"ROE"	Return on Equity
"SEC"	Securities and Exchange Commission of Sri Lanka
"Shares"	Ordinary Voting Shares
"SLAS", "SLFRS"	Sri Lanka Accounting Standards
"VAT"	Value Added Tax
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
EMS	Environment Management System
FMCG	Fast Moving Consumer Goods
HR	Human Resources
MD	Managing Director
Mn	Million
MNC	Multi National Companies
MT	Metric Tones
UK	United Kingdom
USD	United states Dollar
YOY	Year On Year

EX-PACK CORRUGATED CARTONS PLC - PQ 00250068 NOTICE OF MEETING

Taking into consideration the current restrictions prevailing in the country, the Board of Directors of Ex-Pack Corrugated Cartons PLC has decided to hold Annual General Meeting (AGM) as a Virtual Meeting on **30th September 2022 at 9.00 am** in line with the guidelines issued by the Colombo Stock Exchange (CSE) for hosting of virtual AGMs.

Hence, Notice is hereby given that the Annual General Meeting of the Company will be held by way of electronic means on **30th September 2022 at 9.00 am** centered at the Registered Office located at No.11 A, Milepost Avenue, Colombo 03.

AGENDA

01. To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31st March 2022 and the Report of the Auditors thereon.
02. To re-elect as a Director, Mr. Shafik Kassim who retires by rotation in terms of Article 78 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director.
03. To re-elect as a Director, Mr. Wanigasekara Bandaranayake Wasala Mudiyanse Ralahamilage Aluwihare Mahawalawwe Thulci Goutham Aluwihare who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company.
04. To re-elect as a Director, Mr. Abdulah Osman Kassim who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company.
05. To re-elect as a Director, Mrs. Shehara De Silva who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company.
06. To re-elect as a Director, Mr. Ukwatte Kankanamage Dinesh Dharmadasa who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company.
07. To re-appoint the retiring Auditors Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.
08. To consider any other business of which due notice has been given.

By Order of the Board

EX-PACK CORRUGATED CARTONS PLC

[SIGNED]

Business Intelligence (PRIVATE) LIMITED

Director / Secretaries

30 August 2022

Colombo.

NOTES

01. Below mentioned documents can be now downloaded via the corporate website <https://www.expack.lk/reports> or the Colombo Stock Exchange website on <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=PACK.N0000>
 - a) Annual Report
 - b) Notice of Meeting
 - c) Circular to Shareholders
 - d) Form of Proxy
 - e) Guidelines and Registration Process to join the AGM virtually
 - f) Registration Form for the AGM
02. A shareholder entitled to participate and vote at the above virtual meeting is entitled to appoint a proxy to participate and vote in his/her place by completing the Form of Proxy which can be downloaded as above.
03. Shareholders who are unable to participate in the above virtual meeting are also encouraged to submit a duly completed Form of Proxy appointing the Chairman or any other Member of the Board to participate and vote on their behalf.
04. A proxy need not be a shareholder of the Company.
05. For more information on how to participate by virtual means in the above virtual meeting, please refer Registration Process which can be downloaded as above.

FORM OF PROXY

*I/We.....of.....
 being a shareholder/s of Ex-Pack Corrugated Cartons PLC do
 hereby appoint of.....
or failing him.

Mr. Sattar Kassim or failing him,
 Mr. M Z M Ghouse or failing him,
 Mr. Shafik Kassim or failing him,
 Mr. W B W M R A M T G Aluwihare or failing him,
 Mr. A O Kassim or failing him,
 Mrs S de Silva or failing him,
 Mr U K D Dharmadasa

As *my/our Proxy to attend me/us and to vote on my/ our behalf at the Annual General Meeting of Ex-Pack Corrugated Cartons PLC to be held by way of electronic means on **30th September 2022 at 9.00 am** centered at the Boardroom, No. 11 A, Milepost Avenue, Colombo 03 and visual technology and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting.

I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

	For	Against
01. To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31st March 2022 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
02. To re-elect as a Director, Mr. Shafik Kassim who retires by rotation in terms of Article 78 of the Articles of Association of the Company and being eligible, offers himself for re-election as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
03. To re-elect as a Director, Mr. W B W M R A M T G Aluwihare who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
04. To re-elect as a Director, Mr. A O Kassim who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
05. To re-elect as a Director, Mrs. S de Silva who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
06. To re-elect as a Director, Mr. U K D Dharmadasa who was appointed subsequent to the last Annual General Meeting as a Director of the company in terms of Article 85 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
07. To re- appoint the retiring Auditors Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

Signature of Shareholder/s

NOTE:

01. * Please delete the inappropriate words.
02. Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

01. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.
02. **The Proxy shall –**
 - a. In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.
 - b. In the case of a company or corporate/statutory body either be under its common seal or signed by its Attorneys or by an Officer on behalf of the company or corporate/statutory body in accordance with its Articles of Association or the Constitution or the Statutes (as applicable).
03. Please indicate with a "X" how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.
04. To be valid, the completed Form of Proxy should be deposited with the Registered Office of the Company at No. 11 A, Milepost Avenue, Colombo 03, Sri Lanka or must be emailed to **latiff@expack.lk** or by facsimile to **+94 114 741751** by 48 hours before the AGM.

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ANNUAL REPORT
YEAR ENDED 31 MARCH 2022