

Annual Report 2008/2009

ACL CABLES



everywhere

ACL Cables PLC

Our Corporate Philisophy

Our Vision

To be the preferred brand of electric cables in the region, whilst strengthening the dominant position in Sri Lanka.

Our Mission

- To expand our range of products and services in the fields of electrification.
- To be the most competitive in chosen global markets and to achieve continuous growth.
- To create an environment that will inculcate a feeling of ownership in our people and their families.
- To create a company that will be in the forefront of technology and win the admiration of our customers, suppliers, shareholders and the community.

Our Values

We strive to do our best for our stakeholders in the following ways;

Our Customers

- We reach out to our customers and give them a fair deal.
- We build enduring customer relationships without trying to maximize short term profits.
- We always make it easier for customers to do business with us.
- We communicate regularly with our customers.
- We never forget to say thank you.

Our People

- We respect each other as individuals and motivate our people to work as a team.
- We provide opportunities for personal and professional development.
- We recognize and reward individual initiative and performance of our people.
- We inculcate family culture and togetherness.

Our Suppliers

- We treat our suppliers as valuable business partners and maintain a mutually beneficial relationship.

Our Shareholders

- We ensure superior returns to our shareholders through sustained growth of profitability.

Our Community

- We carry out our activities in an environment friendly manner, contributing towards a safer and healthier community.
- We maintain ethical standards.

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ACL
CABLES

Group Financial Highlights

| For the year ended 31st March | 2009 Rs. '000 | 2008 Rs. '000 |
|-------------------------------|------------------|------------------|
| Operations | | |
| Turnover | 7,838,591 | 8,773,581 |
| Gross Profit | 1,147,322 | 1,522,997 |
| Finance Cost | 328,116 | 416,973 |
| Profit before Taxation | 161,408 | 524,295 |
| Profit after Taxation | 158,060 | 324,003 |
| Long Term Debt | 21,271 | 107,993 |
| Total Equity | 3,792,822 | 3,615,755 |
| Ratios | | |
| Gross Profit Margin | 14.6% | 17.6% |
| Net Profit Before Tax Margin | 2.1% | 6.0% |
| Interest Cover (Times) | 1.5 | 2.2 |
| Return on Equity | 4.0% | 14.5% |
| Current Ratio (Times) | 1.8 | 1.6 |
| Long Term Debt / Equity | 0.6% | 3.0% |

Chairman's Review



On behalf of the Board of Directors, it is my pleasure to present the Annual Report and the Audited Financial Statements for the year ended 31st March 2009.

Economic & Business Environment

Much has already appeared in the media, concerning the global financial crisis and the events during the year baffled us with much volatility and some calculated decisions taken with years of experience became unfavourable overnight. The country's economy and the corporate sector were slowed down by the global economic crisis and the lower international demand for goods and services.

Global trading conditions during the year went through unprecedented variations with a petroleum and commodity spiral in the first three quarters, giving way to a virtual collapse of the world economy in late 2008. This was apparent especially in the closing months of 2008 with the negative sentiment affecting our businesses. Our response to these challenges in most cases was quite impressive which is why we have some performance to show, but admittedly there were instances where a better performance ought to have been delivered.

Performance of the Group

In the midst of a challenging economic and business environment, the Group achieved a net turnover for the year under review of Rs 7.8 Bn compared to Rs 8.7 Bn last year, showing a decrease of only 10%. The cable industry in particular, was affected by the slowdown of the construction industry and the reduction of government construction due to the war effort, which reduced sales volume.

The Group profit after tax for the financial year 2008/09 reduced to Rs. 158 Mn compared to Rs. 324 Mn last year. The drop in average price of copper, discounts and price reductions affected the sales value as well as margins. The profit margins were further eroded by, hedging losses, high inflation, weakening currency and high import costs, even after achieving cost reductions and productivity improvements that have been essential survival measures. Even though the interest rates were exorbitant during the year, the Group finance cost has reduced, through good working capital management.

ACL Cables PLC, Company profit after tax was Rs 5.3 Mn compared to Rs 183.8 Mn last year; the drop was mainly due to lower sales and the net hedging cost of around Rs 228 Mn. Our main subsidiaries Kelani Cables PLC and ACL Plastics PLC have contributed Rs 93 Mn and Rs 19.2 Mn respectively towards the Group profit after tax. Our initiative of backward integration, manufacturing of Aluminum Rods has produced good results.

Initiatives

The Group continued to retain the dominant market position in the cable industry; the distributor and dealer network was strengthened and the market share was maintained despite the general low economic condition.

The sudden disappearance of liquidity, not to mention demand in long-standing destination markets persuaded us to some significant actions. The most significant was focused attention to working capital management across the Group, so that costly liquidity was put to optimal use.

The stressful conditions that impacted on nearly all businesses of the Group, perhaps the worst in living memory, required our close attention to current work and compensation practices. These include changes in work hours and practices, as well as restraints on remuneration of executive and management grades.

In spite of uncertainties during the year, the Group invested Rs 249 Mn in Land, Plant and Equipment forging ahead with the expansion plans.

Outlook

It is difficult to say with certainty, how soon the economic conditions will turn positive, but we will engage in entrepreneurship with a sense of optimism that things will improve, and a sense of confidence that we will succeed, regardless of external factors.

One main focus in the current year will be to continue our stability and brand presence in the cable industry. We plan to expand our presence to the North & East and contribute to the development plan of the government and the Group will make every endeavour to enhance shareholder value.

Acknowledgements

I wish to express my sincere appreciation to our valued Customers, Distributors, Dealers, Bankers, and Suppliers for their continued support and to all Employees of the Group for their loyal and devoted contributions during this difficult year.

My sincere thanks to the efforts made by Mr. Suren Madanayake and Mr. Hemantha Perera, Managing Directors of the main companies and my fellow Directors of all the Boards for their contributions. In conclusion I thank the Shareholders for their valuable patronage and confidence.



U. G. Madanayake
Chairman

26th August 2009

Managing Director's Operational Review



It is my privilege to present to you, the review of operations of the Company for the year ended 31st March 2009, under unprecedented economic conditions.

Preamble

A sharp rise in oil prices and consequent escalation in cost of copper and other inputs during the first half of the year exerted tremendous pressure on performance. When oil and copper prices reached their peak in July, direct costs alone exceeded tremendously on some items. Despite being able to agree with some customers on upward price adjustments, most of this extra cost had to be met by the company.

In order to manage cost of copper, action was initiated to enter into hedging contracts, but when adverse signs first began to appear, we could do no more than to mitigate these developments. The intensity and speed of the changes in the global commodity market, made it impossible to cushion the full impact. World copper prices which was around USD 8,400 per ton at the end March 2008 drastically reduced to around \$ 2,700 per ton by end of December 2008, which is an unprecedented decline of 68%.

During the first part of the year, high input prices pushed up inventory values and consequently the borrowings. The effects were further aggravated by high interest rates and a rupee which stayed strong, out of sync with steep local inflation. Performance stabilized towards the latter part of the year, helped by a combination of factors such as reductions in cost of copper, energy and finance, and closer monitoring of overheads.

Financial Performance

For the financial year 2008/09, ACL Cables PLC recorded a turnover of Rs. 4,424 Mn, which is a decrease of 14.9% against last year. This was on account of decrease in volumes, caused by the general slow down in the construction industry and decreases in cable prices. The export market was also adversely affected by the slow down with the global economic downturn.

The Company's gross profit margin declined to 11.4% in 2008/09 from 17.6% in 2007/08, which is mainly due to the losses incurred from the hedging contracts of Rs. 228 Mn net of gains and the impact of fixed costs, caused by the lower quantities manufactured during the period.

Other income has reduced by Rs. 39.7 Mn during period under review to Rs. 26.5 Mn, mainly due to reductions in dividend income and interest income.

Other operating expenses have reduced from Rs. 49.9 Mn in the previous year to Rs 24.5 Mn in 2008/09 mainly due to the reduction in exchange loss to Rs. 14 Mn from Rs. 36 Mn in the previous year.

The finance cost has reduced to Rs. 222 Mn from Rs. 303 Mn in the previous year, achieved through, taking of foreign currency loans during the first part of the year and repaying long term loans down to Rs. 11 Mn by the year end. The Company improved the working capital position through reduction of debtor and inventory levels, which partly financed the hedging outflows.

With the reasons mentioned above, the Company ended the financial year with a loss of Rs. 38 Mn, compared to profit before tax of Rs. 298 Mn last year. However after tax, the Company achieved a profit of Rs. 5.3 Mn due to reversals of deferred tax.

Initiatives

Though the sales volumes reduced, the Company continued to maintain the dominant position in the cable industry. To enhance the export market potential, exports were done to Australia and Dubai during the year. Visits were done to new export markets paving the way for innovative product development for specific markets

The previous year's focus on reducing cost, particularly energy, and work in progress continued into the year under review. Several steps were also taken to minimize electricity consumption, while energy costs eased to an extent, they are certain to rise again.

The welfare of the employees were maintained at all times and no lay offs or pay cuts were necessary during the year, however rationalization of overtime was done. We continued our corporate social responsibility through training of electricians.

Amidst the uncertainties during the year, the Company invested Rs. 142 Mn in Plant and Equipment continuing with the expansion plans.

Future Outlook

The coming year will no doubt be a challenging year; however we are optimistic that the post war situation will lead to domestic development. We plan to expand our presence to the North and the East of the country and optimize opportunities created through the development plans in these areas. We will continue to maintain our dominant position in the cable industry and aggressively look for opportunities in the export market. One main area of focus is to reduce inventory and debtor levels and conserve cash, until definite signs of economic recovery are seen.

Acknowledgments

I wish to express my grateful thanks to the Management Team and all Employees of ACL Cables PLC for their whole hearted support and contributions in the various initiatives. I also thank our Customers, Dealers, Distributors and other Business Associates for their continuing support. I take this opportunity to thank the Chairman and the Board of Directors, for the reinforcement given to me during this turbulent year.



Suren Madanayake
Managing Director

26th August 2009

Board of Directors



Front row seated: (From Left) Daya Wahalantantiri - Director, Mrs. N.C. Madanayake - Director, U.G. Madanayake - Chairman, Ajit Jayaratne - Director, Rajiv Casie Chitty - Director

Back row standing: (From Left) Hemantha Perera - Director, Suren Madanayake - Managing Director

Mr. U.G. Madanayake *Chairman*

Mr. U.G. Madanayake had his early education at Ananda College, Colombo. He graduated from the University of Cambridge - England in 1958, and had his M.A. (Cantab) conferred on him in 1962. He is a Barrister-at-law (Lincoln's Inn) and an Attorney-at-law of the Supreme Court of Sri Lanka. He started his working life managing family-owned plantations until most of the lands were taken over by the State under the Land Reform Law of 1972. He still continues to have an active interest in agriculture.

He joined the Board of Associated Motorways Ltd, and subsequently became the Deputy Chairman of the Company. He became a Director of ACL Cables PLC (then Associated Cables Ltd.) in January 1963, its Managing Director in July 1978 and Chairman cum Managing

Director in May 1990. He relinquished his duties as Managing Director in September 2005 after appointing Mr. Suren Madanayake as Managing Director. With the acquisition of Kelani Cables PLC. by the ACL Group in October 1999, he was appointed Chairman of Kelani Cables PLC.

Mr. Madanayake is the Chairman of Fab Foods (Pvt.) Ltd., Ceylon Tapioca Ltd, ACL Plastics PLC., ACL Metals & Alloys (Pvt.) Ltd., ACL Polymers (Pvt.) Ltd. and ACL-Kelani Magnet Wire (Pvt.) Ltd. He is a Director of Ceylon Bulbs & Electricals Limited. He has over 40 years experience in the cable industry.

Mr. Suren Madanayake *Managing Director*

Mr. Suren Madanayake had his education at Royal College, Colombo and qualified as a Mechanical Engineer from the University of Texas at Austin, USA.

He was appointed to the Board of ACL Cables PLC., in June 1991 and appointed as Managing Director in September 2005. When Kelani Cables PLC was acquired in October 1999, he was appointed as Managing Director of KCL and Lanka Olex Cables (Private) Ltd. which is the holding Company of KCL. In 2003 he was appointed as Deputy Chairman of KCL.

He also serves as the Managing Director of Ceylon Bulbs and Electricals Ltd., ACL Plastics PLC and Director of ACL Metals & Alloys (Pvt.) Ltd., ACL Polymers (Pvt.) Ltd., ACL-Kelani Magnet Wire (Pvt.) Ltd., Fab Foods (Pvt.) Ltd. and Ceylon Tapioca Limited.

He also serves as Chairman CCC Foundation of Sri Lanka, which is an approved charity.

Mrs. N.C. Madanayake

Director

Mrs. N.C. Madanayake was appointed to the Board of ACL Cables PLC in July 1980.

She is also a Director of Kelani Cables PLC, ACL Plastics PLC, Ceylon Bulbs and Electricals Ltd. and Ceylon Tapioca Limited.

Mrs. Madanayake is a pioneering Director of Fab Foods (Pvt.) Ltd. and now serves as Managing Director of the Company.

Dr. S.K. Madanayake

Director

Dr. S.K. Madanayake had his early education at Trinity College, Kandy and Royal College, Colombo. He qualified himself as a Doctor of Medicine at Liverpool University in the U.K., after which he practiced as a physician in Sri Lanka and in England.

He was appointed to the Board of Directors of ACL Cables PLC (then Associated Cables Ltd.) in May 1980, Lanka Olex Cables (Pvt.) Ltd. in October 1999 and was a Director of ACL Plastics PLC., from its inception in 1991.

Dr. Madanayake retired from practicing medicine and lives in Sri Lanka permanently.

Mr. Hemantha Perera

Director

Mr. Hemantha Perera had his education at Royal College, Colombo and began his career in 1984 working for John Keells Holdings Limited, as a Trainee Executive in the Tea Department. He later moved to Keells Aquariums, where he went on to become Director, Sales and Marketing.

Mr. Perera was appointed to the Board of Directors of ACL Cables PLC. and ACL-Kelani Magnet Wire (Private) Limited in 2001 and was appointed as Managing Director of Kelani Cables PLC. in 2003.

Mr. Perera holds a Masters Degree in Business Administration and is a member of the Sri Lanka Institute of Directors.

Mr. Ajit Jayaratne

Director

Mr. Ajit M. de S. Jayaratne had his education at Royal College, Colombo.

He holds a B.Sc. (Economics) Degree from Southampton University and is a fellow of the Institute of Chartered Accountants, England & Wales and also a fellow of the Institute of Chartered Accountants, Sri Lanka.

Mr. Jayaratne was the Chairman of Forbes & Walker Limited, Colombo Stock Exchange, Ceylon Chamber of Commerce and The Finance Commission.

Mr. Jayaratne also served as the High Commissioner of Sri Lanka in Singapore sometime ago. He is now a Director of Delmege Forsyth & Co. Ltd., Singer Sri Lanka Ltd, Colombo Fort Land & Building Co. Ltd., Colonial Motors Ltd., DFCC Bank, Overseas Realty (Ceylon) Ltd. and C.W. Mackie & Co. Ltd. Mr. Jayaratne was appointed to the Board of Directors of ACL Cables PLC in November 2005.

Mr. Daya Wahalantiri

Director

Mr. Daya Wahalantiri had his early education at Holy Cross College, Kalutara and Royal College, Colombo. In 1990, he obtained his Masters in Business Administration from the University of Sri Jayawardenapura.

He is a Graduate in Chemistry (Special) from the University of Ceylon, Peradeniya Campus. Having gained sufficient exposure in marketing of industrial products to institutional customers, he joined ACL Cables PLC as its first Marketing Manager in 1982. He was appointed to the Board of Directors of ACL Cables PLC in November 2005.

Mr. Rajiv Casie Chitty

Director

Mr. Rajiv Casie Chitty had his education at Royal College, Colombo.

He became a fellow of the Association of Chartered Certified Accountants (ACCA), UK and Associate Member of the Chartered Institute of Management Accountants (CIMA), UK and a Chartered Financial Analyst, USA.

He obtained his Masters in Economics from the University of Colombo and won the Janashakthi Gold at the 2006 CIMA Pinnacle Awards.

Mr. Casie Chitty was appointed a Director of ACL Cables PLC. in November 2005.

He is currently the Executive Director of Ceylon Ceramics Limited, Managing Director / CEO of Ceylon Plantations Management Limited & Horana Plantations Limited and also the Managing Director of Uni Dil Packaging Limited.

Mr. Chandra De Silva

Director (Deceased)

Mr. Chandra De Silva joined the Inland Revenue Department consequent to obtaining his B.Sc. (Hon) degree. He was a Senior Officer of this Department and served as the Head of the Investigation Unit for over two decades.

After his premature retirement in 1972, he practiced as a Management and Tax Consultant. He specialised in International Taxation and was advisor to transnational Companies engaged in large infrastructure Projects in Hydropower generation, Telecommunications etc.

He was elected a Fellow of the Sri Lanka Institute of Taxation (SLIT) in 2002 in view of his professional expertise in International Taxation. He was Director/ CEO of Ranweli Holiday Village, one of the world's leading enterprises in Sustainable Tourism (Ecotourism). Mr. De Silva was a Director of ACL Cables PLC. since February 1994. He was invited to the Board of Kelani Cables PLC. since the acquisition of a controlling interest in September 1999 by ACL Cables PLC.

He was a dedicated community worker for over four decades in the field of Child Welfare and was the Vice President of the Child Protection Society of Ceylon Inc.(CPS), the oldest Child Welfare Organization in Sri Lanka, established in 1928.

Group Structure

| | ACL Cables PLC | ACL Plastics PLC | Ceylon Bulbs & Electricals Ltd | Lanka Olex Cables (Pvt) Ltd |
|--|---|---|---|--|
| Registration Number | PQ 102 | PQ 87 | PBS 352 | N (PVS) 10596 |
| Date of Incorporation | 10.03.1962 | 17.07.1991 | 16.10.1957 | 22.02.1993 |
| Corporate Status | Public Limited Company | Public Limited Company | Limited Company | Private Limited Company |
| ACL Effective Shareholding in the Company | Parent Company | 65.20% | 89.33% | 100% |
| Directors | <p>U.G.Madanayake -Chairman</p> <p>Suren Madanayake. - Managing Director</p> <p>Mrs.N.C.Madanayake. - Director</p> <p>Dr.S.K.Madanayake. - Director</p> <p>Mr.C.De.Silva.** - Director</p> <p>Hemantha Perera. - Director</p> <p>Mr.Ajit Jayaratne. - Director</p> <p>Mr.Daya Wahalantantiri. - Director</p> <p>Mr.Rajiv Casie Chitty. - Director</p> | <p>U.G.Madanayake -Chairman</p> <p>Suren Madanayake. - Managing Director</p> <p>Mrs.N.C.Madanayake. - Director</p> <p>Dr.S.K.Madanayake. - Director</p> | <p>U.G.Madanayake - Director</p> <p>Suren Madanayake. - Director</p> <p>Mrs.N.C.Madanayake. - Director</p> <p>Mr.C.De.Silva.** - Chairman</p> <p>Mr.S.E.C.Gardiner - Director</p> | <p>U.G.Madanayake -Chairman</p> <p>Suren Madanayake. - Managing Director</p> <p>Mrs.N.C.Madanayake. - Director</p> <p>Dr.S.K.Madanayake. - Director</p> <p>Mr.C.De.Silva.** - Director</p> |
| Principal Activity | Manufacturing and Selling of Power Cables, Conductors, Armoured Cables, Aerial Bundled Cables, Control Cables, Telephone Cables and Auto Cables. | Manufacturing Cable grade PVC Compound. | Trading | Investing Company. |

** Deceased

| | Kelani Cables PLC | ACL Kelani Magnet Wire (Pvt) Ltd | ACL Polymers (Pvt) Ltd | ACL Metals & Alloys (Pvt) Ltd |
|--|---|---|--|--|
| | PQ 117 | N (PVS) 26361 | N (PVS) 43085 | N (PVS) 43084 |
| | 18.12.1972 | 29.06.2000 | 06.09.2005 | 05.09.2005 |
| | Public Limited Company | Private Limited Company | Private Limited Company | Private Limited Company |
| | 79.3% | 93.79% | 65.2% | 100% |
| | <p>U.G.Madanayake -Chairman</p> <p>Suren Madanayake. -Deputy Chairman.</p> <p>Mrs.N.C.Madanayake. - Director</p> <p>Mr.Hemantha Perera. - Director</p> <p>Mr.C.De.Silva.** - Director</p> <p>Dr.C.T.S.B.Perera. - Director</p> <p>Dr.L.J.R.Cabral. - Director</p> | <p>U.G.Madanayake -Chairman</p> <p>Suren Madanayake. - Managing Director</p> <p>Mr.Hemantha Perera. - Director</p> <p>Mrs.Maya Weerapura - Director</p> | <p>U.G.Madanayake -Chairman</p> <p>Suren Madanayake. - Managing Director</p> | <p>U.G.Madanayake - Director</p> <p>Suren Madanayake. - Director</p> |
| | Manufacturing and Selling of Power Cables, Telecommunication Cables and Enamelled Winding Wires. | Manufacturing and export of Enamelled Winding Wires | Processing of PVC Compounds. | Manufacturing and Selling Aluminium rods, Copper rods, Alloys of Aluminium, Copper and Other Metals. |

Corporate Social Responsibility

ACL is the largest manufacturer of cables in Sri Lanka having pioneered the industry in 1962. ACL holds around 45% share of the local market and produces the widest range of cables in Sri Lanka. Today, ACL has grown to be a Group of companies holding more than 70% share of the cable market in Sri Lanka.

ACL is the most sought-after brand of cables in Sri Lanka, having supplied around 80% of the requirements of Duty Free projects mostly owned by overseas investors and approved by the Board of Investment, competing with foreign suppliers of cables. ACL continues to innovate and lead the field in introduction of new products, modern technology and machinery. Further ACL has the most comprehensive Laboratory facility in the region to test and certify cables to the highest local and international standards. For the first time ever a Sri Lankan manufacturing company won the prestigious international Asia Pacific Award out of participants from 46 countries, which was awarded to ACL Cables PLC during the year 2008. This year too, the Company has invested Rs. 140 Mn to maintain quality standards and created enhanced benefits to stakeholders in the coming years.



ACL Cables PLC won the prestigious Asia Pacific Organization Quality Award for the best large scale manufacturing company in 2008.

As a good corporate citizen of Sri Lanka, we recognize that our business activities involve various relationships with diverse stakeholders. In order to implement our corporate strategies into practice, we understand that Social Responsibility activities of ACL are fundamentally guided by the ACL Vision, Mission and Values.

Our Customers

ACL aims to enhance customer satisfaction through the provision of safe and quality cables, system and services as well as through continuous communications with customers. Accordingly we set annual targets and implement promotional activities during year. Also, we assess and verify our activities by monitoring reaction of customers and through assessments of customer satisfaction related matters through the benefit of having strong electrician club in ACL.

“ACL Power Pack Electrician’s Club” is the leading electrician’s club in Sri Lanka with the objective of providing skills, knowledge, other required guidance and improving living conditions of the key drivers of the industry. We endeavor to serve the needs of all electricians especially our members by implementing “Eight Betterments” while carrying out a responsible and responsive business activities.

Divimaga Balaya – Twelve seminars were conducted during the financial year ended 31st March 2009 to inform its members of the latest technological developments in the electrical industry, training on the safe usage of electricity and more.



An electrician’s seminar held in Gampaha.

Divimaga Sariya – Factory visits and educational tours have been organized and an opportunity provided to visit one of largest and well equipped Cable factories with a comprehensive laboratory facility, in Asia.



Divimaga Danuma – An educational magazine is issued monthly, with articles of safe use of cables, energy conservation, unique features of ACL cables and more.

Divimaga Rekuma – Members of the club are covered by a comprehensive insurance policy with a vale of Rs. 625,000/= with life and accident cover, of which the premium is borne by the Company.

Divimaga Surakuma – For the first time in Sri Lanka a Pension Scheme has been introduced for electricians by the ACL Power Pack Electrician’s Club.

Divimaga Thorathuru – A dedicated Hotline Mobile Service operates 24 hours to communicate with electricians.

Divimaga Lakunu – A valuable Gift Scheme is available for active members.

Divimaga Dakuma – Eye clinics were conducted parallel with electricians’ seminars island wide.



Our People

At ACL, we consistently focus on continuous development of our human resources and the creation of an environment, which is best suited for employees through various activities. Our success has been built on the collective skills, knowledge and quality

of our human capital. Further, quality of our human capital has been a driving force of the Company's growth in year on year. A new position has been created in the organization with the designation of Deputy General Manager – Human Resources under the supervision of the Managing Director. And a new team is engaged in re-visiting current practices, adopted in core functions of Human Resources Management in the Company.



"ACL Night" 2008.

This year too, the Company offered opportunities for improvement of employees' career development, skills and attitudes. There are numerous potential benefits to be gained by modern business practices and individuals from systematic, well planned training and development programs. During the year, several interactive workshops and seminars have been conducted. Further the Company accepts the responsibility of Continuous Professional Development of staff members and offers opportunities to participate in special training programmes and conferences conducted by professional organizations. We recognize that it is essential that various social activities are organized in order to create an atmosphere of togetherness, within the members of ACL family as stated in our value statement.

With that in mind we have integrated a number of social activities which includes the annual trip, ACL night and sports activities.

To enhance the benefits offered to staff, the medical facilities provided to staff was streamlined and increased. In addition, in recognition of employees

who have served the Company with loyalty and dedication for 25 years, Gold Coins were gifted at the New Year celebration on 1 January 2009.

Our Community

ACL strives to understand and respect the cultural values and laws wherever we operate. We actively support important initiatives in those communities where our employees live and work. This commitment is visible in our contributions through financial, equipment and volunteer support.

During the year ACL sponsored the Green Forest Association to carry out an all island competition to select the best environmentally friendly school in Sri Lanka. Environment protection will be one of world's main challenges in the coming era and ACL has initiated fullest support to create an environmentally friendly attitude in the younger generation. An award ceremony was held on 6th September 2008 at the BMICH with the participation of school children, teachers, principals and other invitees.



1st Prize, a cheque of Rs. 100,000/= and award being handed over to the principal of Sena Maha Vidyalaya, Kaluvila.



2nd Prize, a cheque of Rs. 50,000/= and award being handed over to the principal of Migasthanna Maha Vidyalaya.

Environmental Responsibility

Environmental Sustainability at ACL begins with our pledge to provide innovative, high quality cables and services for our customers in a safe, environmentally responsible manner. It encompasses our operations, where we deploy cost-effective best practices for energy conservation and waste reduction and it extends to our support of community, where ACL employees are dedicated to creating a cleaner, smarter, safer working environment in the factory premises.

We continued with the strategy of training employees across the office premises and factory premises of the company on the Japanese 5S concept, promoting it as a basic and compulsory productivity improvement standard to be maintained throughout the Company. Further 5S audits were carried out during the year to ensure the effectiveness of the program. The Company also falls in line with the environmental laws of the country through compliance licensing in other operational areas.



3rd Prize, a cheque of 25,000/= and award won by D.S Senanayake College – Colombo.

Risk Management

ACL Cables PLC has given due consideration to its risk management process in order to progress towards

achievement of its goals and objectives. Risk management under two forms, namely Financial and Business, are

regularly reviewed to ensure the related risks are minimised where the complete elimination is not possible.

| Risk Exposure | Company Objectives | Company Initiatives |
|---|--|---|
| Financial Risk Management | | |
| 1. Liquidity & Cash Management | <ul style="list-style-type: none"> To maintain liquidity position. | <ul style="list-style-type: none"> This is achieved by regular follow up of trade debts, planning and utilization of short term borrowing facilities Company has sufficient assets to offer as collateral for required funding requirements. Ability to source funding requirements through several financial institutions. |
| 2. Interest Rate Risk | <ul style="list-style-type: none"> To minimize adverse effects of interest rate volatility. | <ul style="list-style-type: none"> Negotiate and take supplier credit to mitigate the high cost and to avoid adverse fluctuations in local interest rates. |
| 3. Currency Risk | <ul style="list-style-type: none"> To minimise exposure to fluctuations in foreign currency rates, of foreign currency receipts and payments. | <ul style="list-style-type: none"> Use export proceeds to settle import payments wherever possible. |
| Business Risk Management | | |
| 1. Credit Risk | <ul style="list-style-type: none"> To minimise risk associated with debtor defaults. | <ul style="list-style-type: none"> Export sales are done on letters of credits as much as possible. Obtain bank guarantees as collateral from local distributors. Demarcate the areas of operations in local market and monitor the exposure levels of distributors regularly. Appoint new distributors to reduce the exposure. Follow an assessment procedure to ensure credit worthiness of customers. Company maintains a policy to adequately provide for doubtful debts. |
| 2. Asset Risk | <ul style="list-style-type: none"> To minimise losses that can cause from machine breakdown and damages from fire or theft. | <ul style="list-style-type: none"> Obtain comprehensive insurance cover for plant and machinery. Carry out planned preventive maintenance programs. |
| 3. Internal Controls | <ul style="list-style-type: none"> To maintain sound system of internal controls to safeguard company assets. | <ul style="list-style-type: none"> Carryout continuous internal audits by an independent firm. |
| 4. Human Resources | <ul style="list-style-type: none"> To reduce labour turnover. To ensure smooth flow of operations without interruptions. To ensure adaptability through training and adopting best practices. | <ul style="list-style-type: none"> Maintain an employee evaluation scheme and reward them. Maintain healthy and cordial relationship with employees at all levels through joint consultative committees. Provide various employee benefits through the Welfare Committee. Provide specific and general training wherever necessary. |
| 5. Technological and Quality related risk | <ul style="list-style-type: none"> To keep pace with current technological developments and quality standards to avoid obsolescence. To minimise production of stocks that do not meet the standards. | <ul style="list-style-type: none"> Develop a long term plan to replace existing machines with technologically advanced machines. Obtain certifications from relevant authorities and ensure products comply with most of the local and international standards. Already the equipment required to test the quality of products are in place. |

| | | |
|---------------------------------|---|---|
| 6. Inventory Management Risk | <ul style="list-style-type: none"> ● To reduce stock out situations. ● To reduce the accumulation of slow moving stocks. ● To minimise the losses through obsolete stocks. ● To minimise risk of sub standard material being received. ● To minimise inventory days. | <ul style="list-style-type: none"> ● Plan monthly production based on budgets and sales forecasts and review during production planning meetings held monthly. ● Carry out sales promotions to reduce slow moving stocks. ● Adopt various quality standards at different stages to verify the quality until the product is delivered. ● Stocks that are not up to standards are separated and disposed as scrap. ● Continuous stock verification systems to identify non moving stocks. ● Regularly monitor inventory days. |
| 7. Risk of Competition | <ul style="list-style-type: none"> ● To avoid losses of market share from imported low quality products. | <ul style="list-style-type: none"> ● Ensure prevailing quality standards are met. ● Strengthen 'ACL' brand through various advertising and promotional campaigns. ● Maintain product availability in various parts of the country. |
| 8. Investment in Capital | <ul style="list-style-type: none"> ● To reduce the risk of loss in present and future investments. | <ul style="list-style-type: none"> ● Investments in assets are properly planned and made on a timely basis. ● Reduce the idle assets as far as possible. |
| 9. Information Systems | <ul style="list-style-type: none"> ● To minimise possible risks associated with data security, hardware, software and communication systems. | <ul style="list-style-type: none"> ● Data back ups are taken regularly and stored in outside locations. ● Mirroring of hard disks with critical data. ● Vendor agreements for support services and maintenance. ● Regular upgrading of virus scanners, firewalls and software. |
| 10. Environmental Issues | <ul style="list-style-type: none"> ● To minimise adverse impact of operations to the environment. | <ul style="list-style-type: none"> ● Comply with the standards set by the relevant authorities and ensure compliance. |
| 11. Legal and Regulatory Issues | <ul style="list-style-type: none"> ● To minimise possible losses arising from non compliance with statutory and regulatory requirements. ● To minimise or take counter measures to reduce the impact arising from changes to regulatory issues. | <ul style="list-style-type: none"> ● Comply with the requirements of statutory and regulatory bodies. ● Obtain advise from Employees Federation when necessary. |

Corporate Governance

Corporate Governance is an internal system encompassing policies, process and people, which serves the needs of shareholders and other stake holders by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate governance is reliant

on external market place commitment and legislation plus a healthy board culture which safeguards policies and process. Further an important element of corporate governance is to ensure the accountability of certain individuals in an organization through mechanisms that try to reduce or eliminate the cost of principal - agent problem.

The table below indicates the manner and extent to which ACL Cables PLC complies to the code of Best Practice in Corporate Governance Issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

| Code of Best Practice on Corporate Governance | | ACL's Adherence | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--|--|--|------------------|----------|--------------------------|----------------------------|--|--|--------------------------------------|----|------|---|----|------|-------------------------|----|------|--------------------------------|--|--|---------------------|---|-----|--------------------|---|---|---------------------|----|------|--|--|--|--------------------|----|-----|------------------------|---|-----|
| 1 | Composition of the Board | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Every public company should be headed by an effective Board, which should lead and control the Company. | <p>The Board comprises of eight Directors out of whom five Directors are Non Executive Directors. The names and profiles of the Directors are given on pages 8 & 9 of this report.</p> <p>The Board recognizes the need for a clear division of responsibilities in running the Board and Executive responsibilities of running the Company business. Accordingly the position of the Chairman and Managing Director are separated.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | The Board Balance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>The Board should include a balance of Executive and Non Executive Directors such that no party can dominate the Board's decision making.</p> <p>The Board of a Listed Entity includes two or one third of Non-Executive Directors appointed to the Board of Directors as "independent director".</p> | <p>The composition of the Executive and Non Executive Directors satisfies the requirements laid down in the listing rules of the Colombo Stock Exchange.</p> <p>The Board consists of five Non Executive Directors and Two of them are Independent Non Executive Directors. The Board has determined that the two Independent non executive directors satisfy the criteria for "Independence" set out in the Listing Rules.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Holding Regular Board Meetings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | The Board should meet regularly and the Board Meeting should be held at least once a quarter of a financial year. | <p>Board meetings are held Monthly and additional Board meetings are held when ever necessary. The Board has met 12 times during the financial year, and the attendance of Directors are given below.</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Attended</th> <th>Percentage of attendance</th> </tr> </thead> <tbody> <tr> <td colspan="3">Executive Directors</td> </tr> <tr> <td>Mr. U G Madanayake - <i>Chairman</i></td> <td>12</td> <td>100%</td> </tr> <tr> <td>Mr. Suren Madanayake - <i>Managing Director</i></td> <td>12</td> <td>100%</td> </tr> <tr> <td>Mr. Daya Wahalantantiri</td> <td>12</td> <td>100%</td> </tr> <tr> <td colspan="3">Non Executive Directors</td> </tr> <tr> <td>Mrs. N C Madanayake</td> <td>6</td> <td>50%</td> </tr> <tr> <td>Dr. S K Madanayake</td> <td>-</td> <td>-</td> </tr> <tr> <td>Mr. Hemantha Perera</td> <td>12</td> <td>100%</td> </tr> <tr> <td colspan="3">Independent Non Executive Directors</td> </tr> <tr> <td>Mr. Ajit Jayaratne</td> <td>11</td> <td>92%</td> </tr> <tr> <td>Mr. Rajiv Casie Chitty</td> <td>8</td> <td>67%</td> </tr> </tbody> </table> | | | Name of Director | Attended | Percentage of attendance | Executive Directors | | | Mr. U G Madanayake - <i>Chairman</i> | 12 | 100% | Mr. Suren Madanayake - <i>Managing Director</i> | 12 | 100% | Mr. Daya Wahalantantiri | 12 | 100% | Non Executive Directors | | | Mrs. N C Madanayake | 6 | 50% | Dr. S K Madanayake | - | - | Mr. Hemantha Perera | 12 | 100% | Independent Non Executive Directors | | | Mr. Ajit Jayaratne | 11 | 92% | Mr. Rajiv Casie Chitty | 8 | 67% |
| Name of Director | Attended | Percentage of attendance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Executive Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. U G Madanayake - <i>Chairman</i> | 12 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. Suren Madanayake - <i>Managing Director</i> | 12 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. Daya Wahalantantiri | 12 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non Executive Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mrs. N C Madanayake | 6 | 50% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Dr. S K Madanayake | - | - | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. Hemantha Perera | 12 | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Non Executive Directors | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. Ajit Jayaratne | 11 | 92% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mr. Rajiv Casie Chitty | 8 | 67% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | |
|-----------|--|---|
| 4 | Availability of formal schedules of decision making of the Board | |
| | The Board should have a formal schedule of matters specifically reserved for decision making. | <p>The Board is responsible for,</p> <ul style="list-style-type: none"> * Reviewing of Corporate objectives, budgets and forecasts. * Reviewing of operational and functional performance. * Approving capital investments. * Ensuring the implementation of an effective internal control system. * Ensuring Compliance with Highest Ethical and Legal Standards. * Approval of the Annual and Interim Financial Statements prior to publication. * Recommending Dividends for Approval by the Shareholders. |
| 5 | Company Secretary | |
| | All Directors should have access to the advise 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. | Corporate Affairs (Pvt) Ltd functions as the Secretary of the Board. |
| 6 | Access to Independent Professional Advise | |
| | There should be a procedure agreed by the Board of Directors, in furtherance of their duties to take professional advice if necessary. | The Board seeks Independent Professional Advice from external sources, as and when it is required. |
| 7 | Dedication of Adequate Time & Effort | |
| | Every Director should dedicate adequate time and effort to matters of the Board and the Company. | Adequate time is devoted at every meeting to ensure that Board's responsibilities are discharged satisfactorily. In addition, the Executive Directors of the Board have regular meetings with the Management when required. |
| 8 | Training for the Directors | |
| | 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. | The policy on Directors training is, to provide adequate opportunities for continuous development subject to requirement and relevance for each Director. |
| 9 | Availability of a Nomination Committee | |
| | <p>A Nomination Committee should be established to make recommendations to the Board on all new Board appointments.</p> <p>In the absence of a Nomination Committee, the Board as a whole should annually assess Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company.</p> | The Company has not formed a specified Nomination Committee. However performance of the Board and its composition are being evaluated annually. |
| 10 | Re- Election of Directors | |
| | All Directors should be required to submit themselves for Re-election at regular intervals and at least every three years. | According to Articles of Association Director Mr. Hemantha Perera and Mr. Ajit Jayaratne retires by rotation and is required to stand for re-election by shareholders at the Annual General Meeting. |

Corporate Governance (Contd.)

| | | |
|----|---|--|
| 11 | <p>Remuneration Committee</p> <p>Remuneration Committees should consist exclusively of Non-Executive Directors who are Independent of Management. The members of the Remuneration Committee should be listed each year in the Board's remuneration report to the shareholders.</p> | <p>The Remuneration Committee comprises of the following two Independent Non- Executive Directors:</p> <ul style="list-style-type: none"> - Mr. Ajit Jayaratne - Chairman of Committee - Mr. Rajiv Casie Chitty <p>Further details of the Remuneration Committee are given on this report on page 26.</p> |
| 12 | <p>Relationship with Shareholders</p> <p>Board should use the Annual General Meeting to communicate with investors and encourage their participation.</p> | <ul style="list-style-type: none"> * The Company shareholders exercise their rights at the Annual General Meeting. * Resolutions brought before the shareholders at the Annual General Meeting are voted on, by the shareholders. * The notice of the AGM to every shareholder is sent prior to the required period. * The Board of Directors and the Auditors of the Company are present at the AGM to answer any clarifications. * Shareholders who are not in a position to attend the AGM in person are entitled to send a proxy to exercise their voting rights. |
| 13 | <p>Major Transactions</p> <p>Directors should disclose to shareholders all proposed corporate transactions which may materially vary the company's net assets.</p> | <p>During the financial year there were no major transactions which materially altered the company's net assets or the consolidated group net assets.</p> |
| 14 | <p>Accountability & Audit</p> <p>The Board should present a balanced and understandable assessment of the company's position and prospectus.</p> | <p>The Quarterly and Annual Financial statements, are prepared and presented in conformity with Sri Lanka Accounting Standards, comply with the requirements of Companies Act No. 07 of 2007.</p> <p>The Report of the Directors is provided on pages 22 &23 of this report. The Statements of Directors Responsibility for financial reporting and report of the Auditors are stated on pages 24 & 27 respectively. Going Concern Declaration by Board of Directors in this regard is presented in the report of Directors on page 22 of this Annual Report.</p> |
| 15 | <p>Internal Controls</p> <p>The Board should maintain a sound system of internal control to safeguard shareholders investment and the Company's Assets.</p> | <p>The Board acknowledges its overall responsibility for maintaining a sound system of internal controls to safe guard shareholders investment and the company's assets.</p> |
| 16 | <p>Audit Committee</p> <p>The Audit Committee shall comprise of a minimum of two independent non-executive Directors or of non executive Directors a majority of whom shall be independent, which ever is higher. One non-executive Director shall be appointed as Chairman of the committee by the Board of Directors.</p> | <p>The Audit Committee comprises of the following two independent Non - Executive Directors.</p> <ul style="list-style-type: none"> * Mr. Ajit Jayaratne - Chairman of the Committee * Mr. Rajiv Casie Chitty |
| 18 | <p>Re - Purchase of Shares</p> <p>A company may re-purchase its own shares as set out in the Companies Act and in compliance with the following procedures</p> <ul style="list-style-type: none"> * Authorized by its Article to Re- purchase. * Should offer to repurchase shares on pro- rata basis. * A shareholder does not accept the offer or accepts the offer only in part, the entity is permitted to re-purchase, additional shares from any shareholder. | <p>The company has not re -purchased its own shares during the financial year.</p> |

Awards



Asia Pacific Quality Award 2008
Won the highest award, beating participants from 46 countries and ACL recognized as a world class company.



"Achievers Gold Award for Performance Excellence" 2008, in the extra large category for the second consecutive year, organized by the Ceylon National Chamber of Industries, Sri Lanka.



Merit Award – Taiki Akimoto 5S Award 2007 All Island



National Quality Award 2007
organized by Sri Lanka Standard Institution



AAAL

CABLES

Financial Reports

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Report of the Directors

Directors have pleasure in presenting their 47th Annual Report together with the Audited Balance Sheet, Income Statement and Consolidated Financial Statements of the Group for the year ended 31st March 2009.

REVIEW OF THE YEAR

The Chairman's Statement and Managing Director's Review set out the state of affairs and performance of the Company during the year.

PRINCIPAL ACTIVITIES OF THE GROUP

Description of the nature of the operations and principal activities of the Company and its subsidiaries are given on pages 10 & 11

INDEPENDENT AUDITORS' REPORT

The Independent Auditors' Report on the Financial Statements is given on page 27 in this Report.

FINANCIAL STATEMENTS

The Financial Statements prepared in compliance with the requirements of Section 151 of the Companies Act No. 7 of 2007 are given on pages 28 to 59 in this Annual Report.

ACCOUNTING POLICIES

Summary of Significant Accounting Policies adopted in preparation of the Financial Statements are given on pages 33 to 38 There were no changes in the Accounting Policies adopted by the Company during the year except for the Accounting Policy in relation to Defined Benefit Plan Retiring Gratuity

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Statement of the Directors' Responsibilities for Financial Reporting is given on page 24.

GOING CONCERN

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

STATED CAPITAL

The Stated Capital of the Company on 31st March 2009 was Rs.299, 488,400/= and was unchanged during the year.

EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstance have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements other than those disclosed in Note 37 to the Financial Statements.

STATUTORY PAYMENTS

All known statutory payments have been made by the Company.

DIRECTORS

Directors of the Company are listed on pages 8 & 9 and their respective shareholdings are given below.

| | No of Shares | | % Holding | |
|-------------------------|---------------------|---------------------|---------------------|---------------------|
| | As at 31.03.2009 | As at 31.03.2008 | As at 31.03.2009 | As at 31.03.2008 |
| U.G. Madanayake | | | | |
| Chairman | 22,642,116 | 22,642,116 | 37.8 | 37.8 |
| Suren Madanayake | | | | |
| Managing Director | 13,302,396 | 13,302,396 | 22.21 | 22.21 |
| Dr. S.K. Madanayake | 165,072 | 165,072 | 0.28 | 0.28 |
| Mrs. N.C. Madanayake | 1,032,100 | 1,032,100 | 1.73 | 1.73 |
| Chandra De Silva (Decd) | 12,000 | 12,000 | 0.02 | 0.02 |
| Hemantha Perera | - | - | - | - |
| D.D Wahalantantri | - | - | - | - |
| Ajit Jayaratne | - | - | - | - |
| Rajiv Casie Chitty | - | - | - | - |

INTEREST REGISTER

The Interest Register is maintained by the Company, as per the Companies Act No. 7 of 2007. All Directors have made declarations in accordance with the aforesaid Act. The Interest Register is available for inspection as required by the Companies Act.

DIRECTORS INTEREST IN CONTRACTS

Directors interests in contracts of the Company are disclosed in Note 39 to the Financial Statements and no Director of the Company is directly or indirectly interested in any other contracts with the Company. The Directors retiring by rotation in terms of Article 85 will be Mr. Hemantha Perera & Mr. Ajit Jayaratne who being eligible are recommended for re-election.

DIRECTORS' REMUNERATION

Remuneration received by the Directors is set out in Note 6 to the Financial Statements.

DIRECTORS MEETINGS

The details of Directors' meetings are set out on page 16 of the Annual Report under the Corporate Governance.

DIVIDENDS

No dividend have been declared for the 2008/09

DONATIONS

Donation amounting to Rs. 922,200/= were made during the year under review.

APPOINTMENT OF AUDITORS

The Board has proposed to rotate the auditors of the company, every five years as a company policy, subject to shareholders' approval.

Accordingly, a resolution will be proposed at the Annual General Meeting of the Company to appoint Messers PricewaterhouseCoopers, Chartered Accountants, as Auditors of the Company for the year 2009/2010 and to authorise the Directors to determine their remuneration.

By Order of the Board

(Sgd.)

Corporate Affairs (Private) Limited
Secretaries.

26th August 2009.

Directors' Responsibility for Financial Reporting

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

In discharging this responsibility, the Directors have instituted a system of internal financial controls and a system for monitoring its effectiveness. The system of controls provide reasonable and not absolute assurance of safeguarding of Company's assets, maintenance of proper accounting records and the reliability of financial information.

The Financial Statements reflect a true and fair view of the state of affairs of the Company and the Group as at 31st March 2009 and provide the information required by the Companies Act No. 7 of 2007. The Financial Statements have been prepared on the going concern basis as the Board is satisfied that the Company will continue its operations in the foreseeable future.

Approval of Financial Statements

The Directors' report and the financial statements of the Company and of the Group were approved by the Board of Directors on 26th August 2009

By Order of the Board

(Sgd.)

Corporate Affairs (Private) Limited
Secretaries

26th August 2009

Audit Committee Report

The Audit Committee consists of following two Independent Non-Executive Directors of the Company.

- Mr. Ajit Jayaratne – Chairman of the Committee
- Mr. Rajiv Casie Chitty

Above members have significant recent and relevant financial experience as required by the Code of Best Practice in Corporate Governance, issued by Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange.

The Chairman, Managing Director & Group Financial Controller are invited to attend meetings when required. The Committee met three times during the financial year including meetings with internal auditors, Messrs Ernest & Young Advisory Services (Pvt) Ltd. The reports of the internal auditors, covering various departments were reviewed by the committee.

The Audit Committee is entrusted with the task of monitoring the internal controls, systems and process of ACL Cables PLC. It serves as an effective forum for the Board of Directors in discharging their responsibilities and ensuring the quality of financial reporting and related communications to stakeholders.

The Audit Committee has a responsibility for evaluating the performance of the external auditors and monitor & review the effectiveness of the Company's internal audit function.

The Audit Committee examines matters relating to financial statements, accounting policies, compliance with Accounting Standards & Financial reporting system of the company. The Audit Committee along with the other Members of the Board reviewed and approved the annual Financial Statements.

The Audit Committee recommends the appointment of Pricewaterhouse Coopers Chartered Accountants as Auditors of the Company.

(Sgd.)

Mr. Ajit Jayaratne
Chairman of the Audit Committee

26th August 2009

Remuneration Committee Report

The Remuneration Committee comprises of the two Non-Executive Directors and names of the members are given on page 18 of this report. The members of the Committee and the Chairman of the Committee shall be appointed from time to time by a resolution of the Board, from amongst the non executive Directors. The Remuneration Committee formally met twice in the last financial year.

The Group policy on remuneration packages is to attract and retain the best professional and managerial talent to the Group and also to motivate and encourage them to perform at the highest possible level. The Group has a structured and professional methodology in evaluating the performance of employees.

The Remuneration Committee determined the Company's Remuneration Policy of Executive Directors, having regard to performance

standard and existing industry practice. No executive Director is involved in deciding his own remuneration package.

It also met to consider the impact of the Companies Act. No. 7 of 2007 on the remuneration of Directors.

In conclusion, my sincere thanks to Mr. Rajive Casie Chitty member of the committee for his valuable contribution to the work of the Committee.

(Sgd.)

Ajit Jayaratne
Chairman of the Remuneration Committee

26th August 2009.

Independent Auditors' Report

Chartered Accountants
Correspondent Firm within
Grant Thornton International Ltd

Ms. Y. SHIRANI DE SILVA FCA, FSCMA
Ms. SIVASELVI BALACHANDRAN FCA, FSCMA
S. RAJANATHAN FCA, FCMA
N. K. ATUKORALA FCA, ASCMA
Ms. H. D. S. C. A. TILLEKERATNE FCA, ASCMA
K. I. SKANDADASAN B Sc. (Madras), FCA, ASCMA
R. L. R. BALASINGHAM FCA, ASCMA

Kreston MNS & Co 

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF -ACL CABLES PLC

Report on the Financial Statements

We have audited the accompanying Financial Statements of **ACL CABLES PLC**, the Consolidated Financial Statements of the Company and its Subsidiaries as at that date, which comprise the Balance Sheet as at 31st March 2009 and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of Significant Accounting Policies and other explanatory Notes exhibited on pages 33 to 59.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2009 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st

March 2009 and its Profit and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31st March 2009 and the Profit and Cash Flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the Shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Sections 151 (2) and 153 (2) to 153 (7) of the Companies Act No. 07 of 2007.

Kreston MNS & Co
Chartered Accountants
Colombo.

26th August 2009

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& Branches at: Anuradhapura • Badulla • Batticaloa • Hatton • Kalmunai • Kandy • Kurunegala
• Matara • Negombo • Nuwara Eliya • Ratnapura • Trincomalee

Income Statement

| For the year ended 31st March | Note | Group | | Company | |
|--|------|----------------------|----------------------|---------------------|--------------------|
| | | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Turnover | 2 | 7,838,590,857 | 8,773,580,861 | 4,424,585,647 | 5,197,407,092 |
| Cost of Sales | 3 | (6,691,269,190) | (7,250,584,188) | (3,921,345,410) | (4,281,119,209) |
| Gross Profit | | 1,147,321,667 | 1,522,996,673 | 503,240,237 | 916,287,883 |
| Other Income | 4 | 40,044,570 | 31,506,958 | 26,562,116 | 66,313,141 |
| Distribution Expenses | | (388,942,047) | (334,845,985) | (205,780,399) | (215,499,671) |
| Administrative Expenses | | (238,336,420) | (232,864,326) | (114,703,609) | (115,977,549) |
| Other Expenses | | (70,562,916) | (45,524,575) | (24,563,057) | (49,959,809) |
| Finance Cost | 5 | (328,116,595) | (416,973,321) | (222,805,814) | (303,051,936) |
| Profit / (Loss) before Taxation | 6 | 161,408,259 | 524,295,424 | (38,050,526) | 298,112,059 |
| Taxation | 7 | (3,348,531) | (200,292,890) | 43,351,132 | (114,249,153) |
| Profit for the year | | 158,059,728 | 324,002,534 | 5,300,606 | 183,862,906 |
| Attributable to : | | | | | |
| Equity Holders of the Company | | 131,008,151 | 293,529,217 | | |
| Minority Interest | | 27,051,577 | 30,473,317 | | |
| | | 158,059,728 | 324,002,534 | | |
| | | Rs. | Rs. | | |
| Earnings per Share | | | | | |
| Basic / Diluted | 8 | 2.19 | 4.90 | | |
| Dividend per Share | 9 | 0.50 | 3.50 | | |

Figures in brackets indicate deductions.

The Notes on pages 33 to 59 form an integral part of these Financial Statements.

26th August 2009.

Balance Sheet

| As at 31st March | Note | Group | | Company | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| ASSETS | | | | | |
| Non - Current Assets | | | | | |
| Property, Plant & Equipment | 10 | 1,627,039,066 | 1,425,115,728 | 841,711,984 | 751,893,667 |
| Investment Property | 11 | 120,000,000 | 104,000,000 | - | - |
| Intangible Assets | 12 | 5,993,702 | 5,993,702 | - | - |
| Leasehold Properties | 13 | 1,842,582 | 1,864,517 | - | - |
| Investments in Subsidiaries | 14 | - | - | 522,842,021 | 522,842,021 |
| Investments in Other Companies | 15 | 23,184,897 | 23,731,716 | 7,936,713 | 7,936,713 |
| | | <u>1,778,060,247</u> | <u>1,560,705,663</u> | <u>1,372,490,718</u> | <u>1,282,672,401</u> |
| Current Assets | | | | | |
| Inventories | 16 | 2,081,219,133 | 2,409,749,824 | 1,233,261,125 | 1,350,683,181 |
| Trade and Other Receivables | 17 | 2,406,914,886 | 3,105,268,663 | 1,461,205,527 | 1,693,782,831 |
| Leasehold Properties | 13 | 21,935 | 21,935 | - | - |
| Amounts due from Related Companies | 18 | - | - | 59,973,479 | 55,433,149 |
| Loans due from Related Companies | 19 | - | - | 63,259,924 | 63,259,924 |
| Short Term Deposits | 20 | 295,224,563 | 390,092,270 | 295,224,563 | 176,224,483 |
| Cash at Bank and in Hand | 21 | 313,463,836 | 451,502,000 | 114,033,082 | 347,096,227 |
| | | <u>5,096,844,353</u> | <u>6,356,634,692</u> | <u>3,226,957,700</u> | <u>3,686,479,795</u> |
| Total Assets | | <u>6,874,904,600</u> | <u>7,917,340,355</u> | <u>4,599,448,418</u> | <u>4,969,152,196</u> |
| EQUITY AND LIABILITIES | | | | | |
| Stated Capital | 22 | 299,488,400 | 299,488,400 | 299,488,400 | 299,488,400 |
| Capital Reserves | 23 | 441,223,100 | 404,711,840 | 330,855,734 | 330,855,734 |
| Revenue Reserves | 24 | 1,123,825,080 | 1,124,510,232 | 680,265,800 | 680,265,800 |
| Retained Profit | | 1,501,308,728 | 1,400,247,417 | 997,177,624 | 1,021,823,858 |
| Total Equity attributable to Equity Holders of the Company | | <u>3,385,845,308</u> | <u>3,228,957,889</u> | <u>2,307,787,558</u> | <u>2,332,433,792</u> |
| Minority Interest | | 426,976,320 | 386,796,643 | - | - |
| Total Equity | | <u>3,792,821,628</u> | <u>3,615,754,532</u> | <u>2,307,787,558</u> | <u>2,332,433,792</u> |
| Non - Current Liabilities | | | | | |
| Provision for Payment in Lieu of Employee Share Issue Scheme | 25 | 3,098,880 | 3,492,163 | - | - |
| Interest Bearing Borrowings | 26 | 21,271,477 | 107,993,358 | 10,791,667 | 74,479,167 |
| Finance Lease Obligation | 27 | 1,451,430 | - | 1,451,430 | - |
| Retirement Benefit Obligation | 28 | 100,902,792 | 106,494,886 | 69,009,608 | 74,769,494 |
| Deferred Tax Liability | 29 | 75,592,289 | 109,767,941 | 40,091,230 | 83,442,362 |
| | | <u>202,316,868</u> | <u>327,748,348</u> | <u>121,343,935</u> | <u>232,691,023</u> |
| Current Liabilities | | | | | |
| Trade and Other Payables | 30 | 677,902,230 | 1,478,339,184 | 334,493,786 | 740,013,876 |
| Short Term Borrowings | 31 | 1,292,659,693 | 1,544,875,567 | 1,267,230,997 | 1,028,145,586 |
| Finance Lease Obligation | | 311,690 | - | 311,690 | - |
| Amounts due to Related Companies | 32 | - | - | 1,671,269 | 21,162,541 |
| Loans from Related Companies | 33 | - | - | 82,193,100 | 82,193,100 |
| Income Tax Liabilities | 34 | 177,568,734 | 239,352,011 | 117,158,474 | 178,103,920 |
| Bank Overdrafts | 21 | 731,323,757 | 711,270,713 | 367,257,609 | 354,408,358 |
| | | <u>2,879,766,104</u> | <u>3,973,837,475</u> | <u>2,170,316,925</u> | <u>2,404,027,381</u> |
| Total Equity and Liabilities | | <u>6,874,904,600</u> | <u>7,917,340,355</u> | <u>4,599,448,418</u> | <u>4,969,152,196</u> |

The Notes on pages 33 to 59 form an integral part of these Financial Statements.

I certify that the above Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007



Roschen Perera
Group Financial Controller

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

Approved and signed for and on behalf of the Board of Directors.



U.G. Madanayake
Chairman



Suren Madanayake
Managing Director

26th August 2009.

Statement of Changes in Equity

For the year ended 31st March 2009

GROUP

| | Note | Stated Capital Rs. | Capital Reserve Rs. | General Reserve Rs. | Retained Profit Rs. | Total Rs. | Minority Interest Rs. | Total Equity Rs. |
|--|------|-----------------------|------------------------|------------------------|------------------------|---------------|--------------------------|---------------------|
| Balance on 31st March 2007 (Restated) | | 299,488,400 | 154,539,176 | 1,124,510,232 | 1,211,532,140 | 2,790,069,948 | 371,426,072 | 3,161,496,020 |
| Surplus on Revaluation of - Land & Buildings | 23 | - | 286,399,613 | - | - | 286,399,613 | - | 286,399,613 |
| Decrease Due to Subsequent Acquisition of Subsidiary Shares | - | - | - | - | - | - | (10,414) | (10,414) |
| Profit for the year | - | - | - | - | 293,529,217 | 293,529,217 | 30,473,317 | 324,002,534 |
| Deferred Tax effect on Revaluation Surplus | 29 | - | (36,226,949) | - | - | (36,226,949) | - | (36,226,949) |
| Dividends Paid | 9 | - | - | - | (104,813,940) | (104,813,940) | (15,092,332) | (119,906,272) |
| Balance on 31st March 2008 | | 299,488,400 | 404,711,840 | 1,124,510,232 | 1,400,247,417 | 3,228,957,889 | 386,796,643 | 3,615,754,532 |
| Surplus on Revaluation of - Land & Buildings | | - | 45,087,818 | - | - | 45,087,818 | 24,065,277 | 69,153,095 |
| Profit for the year | | - | - | - | 131,008,151 | 131,008,151 | 27,051,577 | 158,059,728 |
| Deferred Tax effect on Revaluation Surplus | | - | (8,576,558) | - | - | (8,576,558) | (4,577,672) | (13,154,230) |
| Dividends Paid | | - | - | - | (29,946,840) | (29,946,840) | (6,180,657) | (36,127,497) |
| Government Grant Written Back | | - | - | (685,152) | - | (685,152) | (178,848) | (864,000) |
| Balance on 31st March 2009 | | 299,488,400 | 441,223,100 | 1,123,825,080 | 1,501,308,728 | 3,385,845,308 | 426,976,320 | 3,792,821,628 |

COMPANY

| | Note | Stated Capital Rs. | Capital Reserve Rs. | General Reserve Rs. | Retained Profit Rs. | Total Rs. |
|---|------|-----------------------|------------------------|------------------------|------------------------|---------------|
| Balance on 31st March 2007 | | 299,488,400 | 80,683,070 | 680,265,800 | 942,774,892 | 2,003,212,162 |
| Surplus on Revaluation of Land & Buildings | 23 | - | 286,399,613 | - | - | 286,399,613 |
| Profit for the year | - | - | - | - | 183,862,906 | 183,862,906 |
| Deferred Tax effect on Revaluation Surplus | 29 | - | (36,226,949) | - | - | (36,226,949) |
| Dividends Paid | 9 | - | - | - | (104,813,940) | (104,813,940) |
| Balance on 31st March 2008 | | 299,488,400 | 330,855,734 | 680,265,800 | 1,021,823,858 | 2,332,433,792 |
| Profit for the year | | - | - | - | 5,300,606 | 5,300,606 |
| Dividends Paid | 9 | - | - | - | (29,946,840) | (29,946,840) |
| Balance on 31st March 2009 | | 299,488,400 | 330,855,734 | 680,265,800 | 997,177,624 | 2,307,787,558 |

Cash Flow Statement

| For the year ended 31st March | Note | Group | | Company | |
|---|------|--------------------|----------------------|----------------------|----------------------|
| | | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Profit before Taxation | | 161,408,259 | 524,295,424 | (38,050,526) | 298,112,059 |
| Adjustments for : | | | | | |
| Depreciation | 10 | 116,512,924 | 122,730,922 | 52,303,192 | 55,646,618 |
| Provision for Retiring Gratuity | 28 | 659,577 | 22,962,145 | (3,563,817) | 16,794,816 |
| Provision for Bad & Doubtful Debts | 6 | 17,256,384 | 14,341,649 | 10,000,000 | 10,000,000 |
| Finance Cost | 5 | 328,116,595 | 416,973,321 | 222,805,814 | 303,051,936 |
| Dividend Income | 4 | (1,241,758) | (606,932) | (19,593,563) | (53,075,073) |
| Interest Income | 4 | (15,272,759) | (22,044,100) | (6,743,236) | (11,209,489) |
| Change in Fair Value of investment property | | (16,000,000) | | | |
| Government Grant Written back | | (864,000) | | | |
| Profit on Disposal of Property, Plant & Equipment | 4 | (1,531,870) | (77,457) | | (77,457) |
| Profit on Disposal of Investments | 4 | (1,171,865) | - | - | - |
| Provision for Obsolete Stocks | | 11,392,739 | 1,707,382 | 10,000,000 | - |
| Operating Profit before Changes in Working Capital | | 599,264,227 | 1,080,282,354 | 227,157,864 | 619,243,410 |
| (Increase)/Decrease in : | | | | | |
| Inventories | 16 | 317,137,952 | (61,966,611) | 107,422,056 | 128,689,760 |
| Trade & Other Receivables | 17 | 681,097,393 | (850,323,835) | 222,577,304 | (351,407,778) |
| Amounts due from Related Companies | 18 | - | - | (4,540,330) | 227,436,787 |
| Loans due from Related Companies | 19 | - | - | - | 423,432 |
| Leasehold Properties Prepayments | 13 | 21,935 | 21,935 | - | - |
| Increase/(Decrease) in : | | | | | |
| Trade & Other Payables | 30 | (801,879,655) | 963,870,381 | (406,680,320) | 606,994,961 |
| Amounts due to Related Companies | 32 | - | - | (19,491,272) | (2,634,516) |
| Cash Generated from Operations | | 795,641,851 | 1,131,884,224 | 126,445,302 | 1,228,746,056 |
| Payment in Lieu of Employee Share Issue Scheme | 25 | (393,283) | (557,847) | - | - |
| Retiring Gratuity Paid | 28 | (6,251,671) | (5,205,308) | (2,196,069) | (2,369,307) |
| Interest Paid | 5 | (327,774,357) | (416,973,321) | (222,463,576) | (302,309,410) |
| Interest Received | 4 | 15,272,759 | 23,162,297 | 6,743,236 | 12,327,686 |
| WHT on dividend paid by Subsidiaries | | (2,516,584) | (5,823,032) | - | - |
| Income Tax Paid | 34 | (109,945,106) | (246,357,030) | (60,945,446) | (130,251,191) |
| Net Cash from / (used in) Operating Activities | | 364,033,609 | 480,129,983 | (152,416,553) | 806,143,834 |

Cash Flow Statement (Contd.)

| For the year ended 31st March | Note | Group | | Company | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | |
| Purchase of Property, Plant & Equipment | 10 | (247,283,167) | (191,274,706) | (140,121,509) | (134,484,259) |
| Investment in Other Companies | 15 | - | (232,649) | - | (116,325) |
| Investments in Subsidiary Companies | 14 | - | (12,500) | - | (25,012,500) |
| Investment in Fixed Deposits Net of Withdrawal | 20 | 94,867,707 | (26,908,155) | (119,000,080) | (5,137,746) |
| Proceeds on Disposal of Investments | | 1,718,685 | - | - | - |
| Proceeds on Disposal of Property, Plant & Equipment | | 1,531,870 | 110,434 | - | 110,434 |
| Dividends Received | 4 | 1,241,758 | 606,932 | 19,593,563 | 53,075,073 |
| Net Cash from / (used in) Investing Activities | | (147,923,147) | (217,710,644) | (239,528,026) | (111,565,323) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | | |
| Lease Instalments paid | | (579,118) | - | (579,118) | - |
| Short Term Borrowings Net of Payments | 31 | (258,473,914) | (115,268,539) | 234,522,911 | (505,028,768) |
| Repayment of Long Term Borrowings | 26 | (80,463,841) | (78,507,722) | (59,125,000) | (53,625,000) |
| Dividends Paid | 9 | (28,786,610) | (107,098,983) | (28,786,610) | (107,098,983) |
| Dividends Paid by Subsidiary to Minorities | | (5,898,186) | (14,111,851) | - | - |
| Net Cash from / (used in) Financing Activities | | (374,201,669) | (314,987,095) | 146,032,183 | (665,752,751) |
| Net Increase / (Decrease) in Cash & Cash Equivalents | | (158,091,208) | (52,567,756) | (245,912,396) | 28,825,760 |
| Cash & Cash Equivalents at the beginning of the year | | (259,768,713) | (207,200,957) | (7,312,131) | (36,137,891) |
| Cash & Cash Equivalents at the end of the year | 21 | (417,859,921) | (259,768,713) | (253,224,527) | (7,312,131) |

The Notes on pages 33 to 59 form an integral part of these Financial Statements.

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 CORPORATE INFORMATION

ACL Cables PLC was incorporated on 10.03.1962 under the Companies Ordinance No. 51 of 1938 as Associated Cables Ltd and on 08.01.1991 the name was changed to ACL Cables PLC.

At present ACL Cables PLC is a Public Limited Liability Company listed on the Colombo Stock Exchange and domiciled in Sri Lanka.

The registered office and the principal place of business of the Company is located at No. 21, Norris Canal Road, Colombo 10.

The consolidated Financial Statements of ACL Cables PLC as at and for the year ended 31st March 2009 comprise the Company and its Subsidiaries (together referred to as the "Group").

The principal activities of ACL Cables PLC were manufacturing cables and conductors.

1.2. GENERAL 1.2.1 Statement of Compliance

The Financial Statements have been prepared in compliance with the Sri Lanka Accounting Standards (SLAS) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007.

The Financial Statements for the year ended 31st March 2009 were authorised for issue on 26.08.2009 in accordance with a resolution of the Board of Directors passed on 26.08.2009.

1.2.2 Responsibility for Financial Statements

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

1.2.3 Basis of Measurement

The Financial Statements of the Group presented in Sri Lanka Rupees have been prepared on an accrual basis and under historical cost convention, except that certain Land and Building are measured/stated at fair value as explained in Note 10 to the Financial Statements.

1.2.4 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with SLAS requires Management to make judgements, estimates and assumptions that affect the application of Accounting Policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgemental decisions.

The estimate and underlying assumptions are based on historical experience and various other factors that are believed to be reasonably under the circumstances the results of which form the basis of making the judgement about carrying amount of Assets and Liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by Management in application of SLAS have a significant effect on the Financial Statements.

1.2.5 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, except for Accounting Policy 1.7.1 on defined benefit plan – Retirement Gratuity, which has been revised to be in compliance with Sri Lanka Accounting Standard 16 – Employee Benefits (SLAS 16), which became applicable to Financial

Statements covering annual periods beginning on or after July 1, 2007.

1.2.6 Comparative Information

Previous year's figures and phrases have been re-arranged, where necessary to, conform to the current year's presentation

1.2.7 Events Occurring after the Balance Sheet Date

All material events occurring after the Balance Sheet date have been considered and where appropriate adjustments to or disclosures have been made in the respective notes to the Financial Statements.

1.2.8 The Directors have 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 cease operation.

1.2.9 Materiality and Aggregation

Each class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.3 FOREIGN CURRENCY TRANSACTIONS

The Consolidated Financial Statements are presented in Sri Lanka rupees, which is the Group's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the Group operates.

All foreign exchange transactions are converted to Sri Lanka Rupees, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to Sri Lanka Rupee equivalents at the exchange rate prevailing at the Balance Sheet date. Non-monetary assets and liabilities

Notes to Financial Statements (Contd.)

are translated using exchange rates that existed when the values were determined. The resulting gains and losses are accounted for in the Income Statement.

1.4 TAX

Current Tax

Provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and is computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

Deferred Tax

Deferred taxation is the tax attributable to the temporary differences that arise when taxation authorities recognise and measure assets and liabilities with rules, that differ from those of the Financial Statements.

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and carry forward 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 unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet 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 Balance Sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the Balance Sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised directly in equity is recognised in equity.

Tax withheld on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement at the same time as the liability to pay the related dividend is recognised.

Social Responsibility Levy (SRL)

SRL is payable at the rate of 1.5% on all taxes and levies chargeable as specified in the first schedule of the Finance Act.

Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT), Economic Service Charge (ESC) and Nation Building Tax (NBT) payable to the Department of Inland Revenue and Turnover Tax (TT) payable to the Provincial Council. The Company pays such taxes in accordance with the respective Statutes.

1.5 CONSOLIDATION POLICY

1.5.1 Basis of Consolidation

The Group Financial Statements comprise Consolidation of the Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard No. 26 (Revised 2005) on Consolidated and separate Financial Statements.

The Group Financial Statements have been prepared in compliance with the Group's accounting policies.

All intra group balances, transactions, income and expenses and profits

and losses resulting from intra group transactions are eliminated in full.

1.5.2 Acquisitions and Disposals of Subsidiaries

Acquisition of Subsidiaries are accounted for using the purchase method of accounting. The results of Subsidiaries acquired have been included from the date of acquisition, while results of Subsidiaries disposed have been included up to the date of disposal.

1.5.3 Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company holds more than 50% of the voting rights or otherwise has a controlling interest. Control exists when the Company has the power to govern the Financial and Operational policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are also taken into account. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date the parent obtains control until the date that control ceases.

The total profits and losses for the period, of the Company and of its subsidiaries are included in consolidation and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated Income Statement and Balance Sheet respectively.

Minority interests which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the Income Statement and as a component of equity in the consolidated Balance Sheet, separately from parent shareholders' equity.

The Consolidated Cash Flow Statement includes the cash flows of the Company and its subsidiaries.

The Company and its subsidiaries are incorporated in Sri Lanka and have a common financial year which ends on 31st March.

1.6 VALUATION OF ASSETS AND THEIR BASES OF MEASUREMENT

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

1.6.1 Property, Plant & Equipment

Property, Plant & Equipment are stated at cost / valuation less accumulated depreciation and accumulated impairment losses.

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

All items of Property, Plant & Equipment are initially recorded at cost. The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Where parts of an item of Property, Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

A revaluation of Property, Plant & Equipment is done when there is a substantial difference between the fair value and the carrying amount of the asset and is undertaken by professionally qualified valuers.

Where items of Property, Plant & Equipment are subsequently revalued,

the entire class of such assets are revalued at fair value.

When an asset is revalued, any increase in the carrying amount is credited directly to a revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. Any revaluation deficit that offsets a previous surplus in the same asset is directly offset against the surplus in the revaluation reserve and any excess recognised as an expense. Upon disposal, any revaluation reserve relating to the asset sold is transferred to retained earnings.

Items of Property, Plant & Equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the year the asset is derecognised.

Depreciation

Provision for depreciation is calculated by using straight-line method on the cost / valuation of all Property, Plant & Equipment, other than freehold land, in order to write off such amounts over the estimated useful economic lives of such assets.

The estimated useful life of assets are as follows :

| Assets | Years |
|--------------------------------|---------|
| Factory Buildings | 25 - 40 |
| Plant, Machinery & Accessories | 8 - 10 |
| Factory Equipment | 8 - 10 |
| Electrical Fittings | 8 - 10 |
| Furniture, Fixtures & Fittings | 4 - 10 |
| Office Equipment | 4 - 10 |
| Motor Vehicles | 4 - 5 |
| Tools & Implements | 4 - 10 |

Freehold land held under Property, Plant & Equipment is not depreciated.

The Group's policy upto 31.03.2006 was not to provide depreciation on Property,

Plant & Equipment purchased during the year while full year's depreciation was charged in the year of disposal.

Commencing from 1st April 2006, depreciation is provided on all Property, Plant & Equipment from the month the assets are available for use upto the month of disposal.

The useful life and residual value of assets are reviewed and adjusted if required, at the end of each financial year.

1.6.2 Subsequent Expenditure

The cost of replacing a part of an item of Property, Plant & Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognised in accordance with the derecognition policy.

The costs of the day-to-day servicing of Property, Plant & Equipment are recognised in the Income Statement.

1.6.3 Finance Leases

Property, Plant & Equipment on finance leases, which effectively transfer to the Company substantially all the risk and benefits incidental to ownership of the leased items, are capitalised and disclosed as finance leases at their cash price and depreciated over the period the Company is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the Income Statement over the period of lease.

Notes to Financial Statements (Contd.)

1.6.4 Investment Property

Properties held to earn rental income or properties held for capital appreciation or both and is not occupied substantially for the supply of goods or services or in administration, and is not intended for sale in the ordinary course of business have been classified as Investment Property. Investment Properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair value, which reflects market conditions as at the Balance Sheet date.

Gains or losses arising from changes in fair value are included in the Income Statement in the year in which they arise.

Investment Properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the Income Statement in the year of retirement or disposal.

Where the Company occupies a significant portion of the Investment Property such investment properties are treated as Property, Plant & Equipment in the Financial Statements and accounted for as per SLAS 18 (revised 2005) Property, Plant & Equipment.

1.6.5 Intangible Assets

Goodwill

Goodwill represents the excess or the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in a business combination is tested annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and carried at cost less accumulated impairment losses.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net assets acquired over

the cost of acquisition. Negative goodwill is recognised immediately in the Income Statement.

1.6.6 Leasehold Properties

Leases where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as leasehold properties.

Rentals paid under leasehold properties are recognised as an expense in the income statement on a straight - line basis over the term of the lease.

1.6.7 Investments

Equity Investments

All quoted and unquoted securities, which are held as Non-Current Investments, are valued at cost less impairment losses. The cost of investment is the cost of acquisition inclusive of brokerage and costs of transaction. The carrying amounts of long term investments are reduced to recognise a decline which is considered other than temporary, in the value of investments, determined on an individual investment basis.

In the Company's Financial Statements, Investments in Subsidiaries, have been accounted for at cost, net of any impairment losses which are charged to the Income Statement. Income from these investments are recognised only to the extent of dividends received.

1.6.8 Impairment of 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 make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount,

the assets is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future Cash Flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Previously recognised impairment losses, are reversed only if there has been an increase in the recoverable amount of the asset. Such increase is recognised to the extent of the carrying amount had no impairment losses been recognised previously.

For goodwill, recoverable amount is estimated at each Balance Sheet date or as and when an indication of impairment is identified.

Impairment losses are recognised in respect of subsidiaries acquired are allocated first to reduce the carrying amount of any goodwill allocated to the entity and then to reduce the carrying amount of the other assets in the entity on a pro rata basis.

Impairment losses are recognised in the Income Statement.

1.6.9 Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business

less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition are accounted for as follows.

Raw Materials

At purchase cost on a weighted average basis.

Work in Progress & Finished Goods

At actual cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity on weighted average basis.

Other Stock

At actual Cost.

1.6.10 Trade and Other Receivables

Trade and Other Receivables are stated at the amounts estimated to realise, net of provision for bad and doubtful debts.

Amounts due from Related Companies are stated at cost.

1.6.11 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash and bank balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of Cash and Cash Equivalents for the purpose of the Statement of Cash Flows.

1.7 LIABILITIES AND PROVISIONS

Liabilities are recognised in the Balance Sheet when there is a present obligation arising from past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor or within one year of the Balance Sheet date are treated as current liabilities in the Balance Sheet. Liabilities payable after one year from the Balance Sheet date

are treated as non-current liabilities in the Balance Sheet.

1.7.1 Defined Benefit Plan - Gratuity

Provision has been made in the Financial Statements for retiring gratuities. This has been based on an actuarial valuation carried out on a Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard No. 16 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries as at March 31, 2009. The Group expects to carry out actuarial valuation once a year.

The actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long – term nature of the plan such estimates are subject to significant uncertainty.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

Based on the revised Sri Lanka Accounting Standard 16 (SLAS16) which became effective from the financial year commencing after July 01, 2007, the Group has adopted the actuarial valuation method from April 01, 2008. The liability is not externally funded.

1.7.2 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

All employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and regulations. The Company & Group contributes 12% of gross emoluments of employees to an approved Employees' Provident Fund and 3% of gross emoluments of employees to the Employees' Trust Fund which are externally funded.

1.7.3 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the Balance Sheet date when it is probable that such an obligation will result in an out flow of resources and reliable estimate can be made of the quantum of the out flow.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote.

All contingent assets are disclosed where inflow of economic benefits is probable.

1.7.4 Trade and Other Payables

Trade and other payables are stated at their cost.

1.7.5 Capital Commitments

Capital commitments of the Group are disclosed in the respective Notes to the Financial Statements.

1.8 INCOME STATEMENT

1.8.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of value added taxes. The following specific criteria are used for recognition of revenue.

Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer with the Group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

Interest

Interest Income is recognised on accrual basis.

Notes to Financial Statements (Contd.)

Dividends

Dividend income is recognised when the shareholders right to receive the payment is established.

Other Gains and Losses

Net gains and losses of a revenue nature arising from the disposal of Property, Plant and Equipment and other non current assets, including investments, are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the 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.

Other Income

Other income is recognised on an accrual basis.

1.8.2 Expenditure

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income.

All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to the Income Statement.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case it is capitalised as part of the cost of the asset.

1.8.3 For the purpose of presentation of the Income Statement, the “function of expense” method has been adopted on the basis that it represents fairly the elements of Group’s performance.

1.9 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the “indirect method”.

Interest paid is classified as an operating Cash Flow. Dividend and interest income are classified as Cash Flows from Investing Activities.

Dividend paid is classified as Cash Flow from Financing Activities.

1.10 SEGMENT REPORTING

A segment is a distinguishable component of Group that is engaged either in providing products or services (business / industry segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The segment information has been prepared in accordance with the accounting policies adopted for preparing and presenting the Financial Statements.

1.11 EARNINGS PER SHARE

The Group presents basic Earnings per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

| For the year ended 31st March | Group | | Company | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| NOTE 2 - TURNOVER | | | | |
| Gross Turnover | 7,846,541,089 | 8,776,465,590 | 4,431,404,627 | 5,199,878,824 |
| Turnover Tax | (1,850,475) | (2,884,729) | (1,363,028) | (2,471,732) |
| Nation Building Tax | (6,099,757) | - | (5,455,952) | - |
| Net Turnover | <u>7,838,590,857</u> | <u>8,773,580,861</u> | <u>4,424,585,647</u> | <u>5,197,407,092</u> |
| 2.1 Geographical Segment Turnover | | | | |
| Local | 5,630,880,159 | 6,090,500,321 | 3,310,283,600 | 3,726,254,675 |
| Export | 2,215,660,930 | 2,685,965,269 | 1,121,121,027 | 1,473,624,149 |
| | <u>7,846,541,089</u> | <u>8,776,465,590</u> | <u>4,431,404,627</u> | <u>5,199,878,824</u> |

NOTE 3 - COST OF SALE

The cost of sale includes the FOB / C & F / CIF cost (as applicable), customs / excise duties and taxes, ports charges, hedging settlements etc incurred on import of raw materials.

NOTE 4 - OTHER INCOME

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Dividend Income | 1,241,758 | 606,932 | 19,593,563 | 53,075,073 |
| Interest from - Foreign Currency Deposits | 14,261,987 | 22,015,779 | 6,743,236 | 11,209,489 |
| Local Currency Deposits | 1,010,772 | 28,321 | - | - |
| Profit on Disposal of Property ,Plant & Equipment | 1,531,870 | 77,457 | - | 77,457 |
| Profit on Disposal of Investments | 1,171,865 | - | - | - |
| Others & Scrap Sales | 1,466,157 | 1,951,122 | 225,317 | 1,951,122 |
| Change in Fair Value of Investment Property | 16,000,000 | - | - | - |
| Sundry Income | 3,360,161 | 6,827,347 | - | - |
| | <u>40,044,570</u> | <u>31,506,958</u> | <u>26,562,116</u> | <u>66,313,141</u> |

NOTE 5 - FINANCE COST

| | | | | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|
| Interest on Commercial Papers | - | 28,439,415 | - | 24,445,416 |
| Interest on Overdrafts & Loans | 327,774,357 | 388,533,906 | 222,463,576 | 278,606,520 |
| Lease Interest | 342,238 | - | 342,238 | - |
| | <u>328,116,595</u> | <u>416,973,321</u> | <u>222,805,814</u> | <u>303,051,936</u> |

NOTE 6 - PROFIT / (LOSS) BEFORE TAXATION

is stated after charging all the expenses including the following :

| | | | | |
|---|-------------|-------------|------------|------------|
| Directors' Emoluments | 20,466,666 | 17,909,800 | 13,000,000 | 11,720,000 |
| Auditors Remuneration | | | | |
| - For Audit Services | 1,671,850 | 1,510,300 | 517,500 | 517,500 |
| - For Audit Services underprovision - previous year | - | (10,000) | - | - |
| - Non Audit Services | 668,241 | 433,050 | 346,000 | 194,050 |
| Provision for Doubtful Debts | 17,256,384 | 14,341,649 | 10,000,000 | 10,000,000 |
| Legal Fees | 323,707 | 239,317 | 323,706 | 239,317 |
| Depreciation on Property, Plant & Equipment | 116,512,924 | 122,730,922 | 52,303,192 | 55,646,618 |

Notes to Financial Statements (Contd.)

NOTE 6 - PROFIT / (LOSS) BEFORE TAXATION Contd.

| For the year ended 31st March | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Personnel Cost includes : | | | | |
| Salaries, Wages & Related Cost | 401,456,673 | 374,655,250 | 220,592,821 | 211,999,836 |
| Defined Contribution Plan Cost - EPF & ETF | 37,449,094 | 33,017,864 | 21,995,681 | 19,714,010 |
| Defined Benefit Plan - Gratuity | 659,577 | 22,962,145 | (3,563,817) | 16,794,816 |
| Provision for Obsolete Stocks | 12,900,337 | 3,756,209 | 10,000,000 | - |
| Donations | 922,200 | 1,450,669 | 805,200 | 1,381,189 |
| Foreign Exchange Loss (Net) | 29,896,455 | 27,950,404 | 14,049,928 | 36,461,891 |
| Amortisation of Leasehold Properties | 21,935 | 21,935 | - | - |
| Bad Debts written off | 177,520 | 120,740 | 123,428 | 120,740 |
| Inventory written off | 1,507,598 | 2,048,827 | - | - |

NOTE 7 - TAXATION

7.1 Tax Expense

Income Tax on current year Profits

| | | | | |
|----------------|-------------------|--------------------|----------|--------------------|
| ACL Cables PLC | - | 110,000,000 | - | 110,000,000 |
| Subsidiaries | 53,764,000 | 82,274,824 | - | - |
| | <u>53,764,000</u> | <u>192,274,824</u> | <u>-</u> | <u>110,000,000</u> |

Under/(Over) provision in respect of previous year

| | | | | |
|----------------|--------------------|--------------------|----------|--------------------|
| ACL Cables PLC | - | (5,687,472) | - | (5,687,472) |
| Subsidiaries | (5,602,171) | 538,682 | - | - |
| | <u>(5,602,171)</u> | <u>(5,148,790)</u> | <u>-</u> | <u>(5,687,472)</u> |

Deferred Tax Charge / (Reversal)

| | | | | |
|----------------|---------------------|------------------|---------------------|------------------|
| ACL Cables PLC | (43,351,132) | 9,936,625 | (43,351,132) | 9,936,625 |
| Subsidiaries | (3,978,750) | (2,592,801) | - | - |
| | <u>(47,329,882)</u> | <u>7,343,824</u> | <u>(43,351,132)</u> | <u>9,936,625</u> |

WHT on Dividend Paid by Subsidiaries

| | | | | |
|--------------|------------------|------------------|----------|----------|
| Subsidiaries | 2,516,584 | 5,823,032 | - | - |
| | <u>2,516,584</u> | <u>5,823,032</u> | <u>-</u> | <u>-</u> |

Total

| | | | | |
|--|------------------|--------------------|---------------------|--------------------|
| | <u>3,348,531</u> | <u>200,292,890</u> | <u>(43,351,132)</u> | <u>114,249,153</u> |
|--|------------------|--------------------|---------------------|--------------------|

7.2 Reconciliation between Profit before Taxation and Current Tax on Ordinary Activities

| | | | | |
|--|--------------------|--------------------|--------------|--------------------|
| Profit before Tax | 161,408,259 | 524,295,424 | (38,050,526) | 298,112,059 |
| Adjustments on Consolidation | 31,817,573 | 97,112,959 | - | - |
| Accounting Profit of the Company & its Subsidiaries | 193,225,832 | 621,408,383 | (38,050,526) | 298,112,059 |
| Allowable & Exempt Income | (135,550,519) | (224,489,347) | (29,986,008) | (64,284,562) |
| Expenses Disallowed for Tax | 206,584,458 | 169,705,366 | 108,855,815 | 163,570,798 |
| Expenses Allowed for Tax | (104,337,652) | (83,033,356) | (40,819,281) | (27,300,302) |
| Tax Losses Brought Forward | (138,178,211) | (106,795,605) | - | - |
| Tax Losses Carried Forward | 133,096,285 | 138,097,871 | - | - |
| | <u>154,840,193</u> | <u>514,893,312</u> | <u>-</u> | <u>370,097,993</u> |
| Income Tax @ 35% | 49,822,020 | 169,338,335 | - | 92,814,894 |
| @ 15% | 3,110,692 | 20,600,393 | - | 15,736,887 |
| Social Responsibility Levy @ 1% | - | 1,973,395 | - | 1,085,518 |
| @ 1.5% | 831,288 | - | - | - |
| | <u>53,764,000</u> | <u>191,912,123</u> | <u>-</u> | <u>109,637,299</u> |
| Under / (over) provision in respect of previous year | (5,602,171) | (5,148,790) | - | (5,687,472) |
| Current Tax Expense | <u>48,161,829</u> | <u>186,763,333</u> | <u>-</u> | <u>103,949,827</u> |
| Tax Provision for the year | <u>53,764,000</u> | <u>192,274,824</u> | <u>-</u> | <u>110,000,000</u> |

7.3 Income Tax Rates and Details of Tax Holidays enjoyed by the Group

The tax liability of ACL Cables PLC has been computed at 35% and the tax liability of the subsidiaries have been computed at 35% unless otherwise stated below. The export profit of ACL Cables PLC is liable to income tax at a concessionary rate of 15%. Provision was not required in respect of ACL Cables PLC for the year under review as the total adjusted profit was less than the exempt Profit attributable to the new undertaking engaged in industrial manufacturing in terms of Section 17 of the Inland Revenue Act 10 of 2006. Further the Companies are liable to Social Responsibility Levy at 1.5% of the Income Tax Liability

The export profits of Kelani Cables PLC is liable to income tax at a concessionary rate of 15%.

ACL Kelani Magnet Wire (Pvt) Ltd has entered into an agreement with the Board of Investment in Sri Lanka on 19th April 2001 and the Profit & Income of the Company is exempt for a period of 10 years commencing from the Year of Assessment 2004/2005. ACL Kelani Magnet Wire (Pvt) Ltd will be liable to tax at 15% for a period of 10 years immediately succeeding the last date of the said tax exemption period and thereafter the Company will be liable at the normal income tax rate applicable to Group of Companies, which is presently 35%. Further the Company will be liable to Social Responsibility Levy at 1.5% on the income tax liability for the year.

Any dividends paid to the Shareholders out of tax exempt profit during the tax holiday period of ten years and one year thereafter will be exempt in the hands of the Shareholders.

ACL Metals & Alloys (Pvt) Ltd is eligible for a 5 year tax holiday ending 2012 in terms of Section 17 of the Inland Revenue Act No. 10 of 2006 (as amended) on their profits.

No tax provisions were required for the year under review in view of the tax losses in Lanka Olex Cables (Pvt) Ltd and Kelani Electrical Accessories (Pvt) Ltd.

NOTE 8 - EARNINGS PER SHARE

Basic Earnings per Share

The calculation of basic earnings per Share as at 31st March 2009 was based on the profits attributable to ordinary shareholders and weighted average number of Ordinary Shares outstanding during the year ended 31st March 2009 calculated as follows :

Diluted Earnings per Share

The calculation of diluted earnings per share as at 31st March 2009 was based on the profit attributable to ordinary shareholders and the weighted average number of Ordinary Shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

The following reflects the income and share data used for the computation of earnings per Ordinary Share.

| For the year ended 31st March | Group | | Company | |
|---|-------------|-------------|-------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Amount used as the Numerator | | | | |
| Profit attributable to Ordinary Shareholders of the Company (Rs.) | 131,008,151 | 293,529,217 | 5,300,606 | 183,862,906 |
| Number of Ordinary Shares used as the Denominator | | | | |
| Weighted Average Number of Ordinary Shares | 59,893,680 | 59,893,680 | 59,893,680 | 59,893,680 |
| Basic / Diluted Earnings per Share (Rs.) | 2.19 | 4.90 | 0.09 | 3.07 |

Notes to Financial Statements (Contd.)

NOTE 9 - DIVIDEND PER SHARE

| For the year ended 31st March | Per share Rs. | 2009 Rs. | Per share Rs. | 2008 Rs. |
|--|------------------|-------------------|------------------|--------------------|
| Declared and paid during the year | | | | |
| Interim Dividend - 2007 / 2008 | 0.50 | 29,946,840 | - | - |
| - 2006 / 2007 | - | - | 3.50 | 104,813,940 |
| | <u>0.50</u> | <u>29,946,840</u> | <u>3.50</u> | <u>104,813,940</u> |

NOTE 10 - PROPERTY, PLANT & EQUIPMENT

| Company | Land | | Plant, Machinery and Accessories | Equipment, Tools and Implements | Furniture Fittings and Office Equipment | Motor Vehicles | Leased Motor Vehicles | Capital Work-in- Progress | 31.03.2009 Total Rs. | 31.03.2008 Total Rs. |
|-------------------------------|--------------------|--------------------|---|---------------------------------------|--|-------------------|-----------------------------|---------------------------------|----------------------------|----------------------------|
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | | |
| Gross book value | | | | | | | | | | |
| as at 1 st April 2008 | 346,661,350 | 283,002,650 | 566,323,875 | 8,789,845 | 49,917,871 | 27,328,486 | - | 775,000 | 1,282,799,077 | 880,903,101 |
| Additions during the year | - | 630,000 | 102,779,527 | 942,636 | 2,269,532 | 9,440,000 | 2,000,000 | 24,059,814 | 142,121,509 | 134,484,259 |
| Revaluation Surplus | - | - | - | - | - | - | - | - | - | 286,399,613 |
| Transferred from | | | | | | | | | | |
| Accumulated Depreciation | - | - | - | - | - | - | - | - | - | (18,199,613) |
| Disposal during the year | - | - | - | - | - | - | - | - | - | (788,283) |
| Gross book value | | | | | | | | | | |
| As at 31 st March 2008 | <u>346,661,350</u> | <u>283,632,650</u> | <u>669,103,402</u> | <u>9,732,481</u> | <u>52,187,403</u> | <u>36,768,486</u> | <u>2,000,000</u> | <u>24,834,814</u> | <u>1,424,920,586</u> | <u>1,282,799,077</u> |
| Depreciation | | | | | | | | | | |
| As at 1 st April | - | 6,325,378 | 471,177,634 | 7,628,622 | 25,931,829 | 19,841,947 | - | - | 530,905,410 | 494,213,711 |
| Charge for the year | - | 11,343,206 | 28,484,103 | 238,091 | 8,225,587 | 3,712,205 | 300,000 | - | 52,303,192 | 55,646,618 |
| Transferred to Cost | - | - | - | - | - | - | - | - | - | (18,199,613) |
| On Assets Disposed | - | - | - | - | - | - | - | - | - | (755,306) |
| As at 31 st March 2009 | <u>-</u> | <u>17,668,584</u> | <u>499,661,737</u> | <u>7,866,713</u> | <u>34,157,416</u> | <u>23,554,152</u> | <u>-</u> | <u>-</u> | <u>583,208,602</u> | <u>530,905,410</u> |
| Net Book Value | | | | | | | | | | |
| As at 31 st March 2009 | <u>346,661,350</u> | <u>265,964,066</u> | <u>169,441,665</u> | <u>1,865,768</u> | <u>18,029,987</u> | <u>13,214,334</u> | <u>1,700,000</u> | <u>24,834,814</u> | <u>841,711,984</u> | <u>-</u> |
| As at 31 st March 2008 | <u>346,661,350</u> | <u>276,677,272</u> | <u>95,146,241</u> | <u>1,161,223</u> | <u>23,986,042</u> | <u>7,486,539</u> | <u>-</u> | <u>775,000</u> | <u>-</u> | <u>751,893,667</u> |

The initial cost of fully depreciated Property, Plant & Equipment which are still in use as at the Balance Sheet date amounted to Rs. 231 Mn. (2007/2008 - Rs. 220 Mn)

Capital work in progress as at the Balance Sheet date represents cost incurred in relation to construction of a building.

| Group | | | | | | | | | 31.3.2009 Total Rs. | 31.3.2008 Total Rs. |
|--|--------------------|--------------------|--|--|---|--------------------------|------------------------------------|--|---------------------------|---------------------------|
| | Land Rs. | Buildings Rs. | Plant, Machinery and Accessories Rs. | Equipment, Tools and Implements Rs. | Furniture Fittings and Office Equipment Rs. | Motor Vehicles Rs. | Leased Motor Vehicles Rs. | Capital Work-in- Progress Rs. | | |
| Cost / Valuation | | | | | | | | | | |
| Gross Book Value | | | | | | | | | | |
| as at 1st April | 478,123,090 | 510,009,998 | 1,137,366,607 | 87,988,372 | 85,132,837 | 55,319,596 | - | 65,842,388 | 2,419,782,888 | 1,961,480,265 |
| Additions during the year | 41,469,354 | 630,000 | 133,848,600 | 7,256,186 | 3,242,069 | 13,991,917 | 2,000,000 | 47,527,566 | 249,965,692 | 191,274,706 |
| Transfers | - | 5,472,599 | - | - | - | - | - | (5,472,599) | - | - |
| Transferred to Income Statement | - | - | - | - | - | - | - | (682,525) | (682,525) | - |
| Revaluation Surplus | 32,125,000 | 37,028,095 | - | - | - | - | - | - | 69,153,095 | 286,399,613 |
| Transferred from | | | | | | | | | | |
| Accumulated Depreciation | - | (14,315,842) | - | - | - | - | - | - | (14,315,842) | (18,199,613) |
| Disposals during the year | - | - | - | - | - | (1,644,000) | - | - | (1,644,000) | (1,172,083) |
| Gross Book Value as at 31st March | 551,717,444 | 538,824,850 | 1,271,215,207 | 95,244,558 | 88,374,906 | 67,667,513 | 2,000,000 | 107,214,830 | 2,722,259,308 | 2,419,782,888 |
| Depreciation | | | | | | | | | | |
| As at 1st April | - | 50,377,816 | 802,820,137 | 52,535,836 | 48,934,385 | 39,998,986 | - | - | 994,667,160 | 891,274,957 |
| Charge for the year | - | 21,959,076 | 73,647,118 | 4,003,426 | 9,696,925 | 6,906,379 | 300,000 | - | 116,512,924 | 122,730,922 |
| Transferred to Cost | - | (14,315,842) | - | - | - | - | - | - | (14,315,842) | (18,199,613) |
| On Disposals | - | - | - | - | - | (1,644,000) | - | - | (1,644,000) | (1,139,106) |
| As at 31st March | - | 58,021,050 | 876,467,255 | 56,539,262 | 58,631,310 | 45,261,365 | 300,000 | - | 1,095,220,242 | 994,667,160 |
| Net Book Value | | | | | | | | | | |
| As at 31st March 2009 | 551,717,444 | 480,803,800 | 394,747,952 | 38,705,296 | 29,743,596 | 22,406,148 | 1,700,000 | 107,214,830 | 1,627,039,066 | - |
| As at 31st March 2008 | 478,123,090 | 459,632,182 | 334,546,470 | 35,452,536 | 36,198,452 | 15,320,610 | - | 65,842,388 | - | 1,425,115,728 |

Company

10.1 Balance as at 31.03.2009 includes assets at valuation as follows :

| Assets | Valued on | Basis of Valuation | Name of Valuer | Valued Amount Rs. | Additions at Cost since the date of Valuation Rs. | As at 31.03.2009 Rs. |
|------------------------------|------------|---------------------|----------------------------|----------------------|---|----------------------------|
| Land | 01.09.2007 | Market Value Method | Mr. J.M Senanayaka Bandara | 236,962,350 | 109,699,000 | 346,661,350 |
| Buildings | 01.09.2007 | Market Value Method | Mr. J.M Senanayaka Bandara | 271,087,650 | 12,545,000 | 283,632,650 |
| Part of Plant & Machinery | 30.06.1977 | Market Value Method | | 1,542,100 | 667,561,302 | 669,103,402 |

The resulting revaluation surplus of the Company as at 31.03.2009 after utilisation for issue of bonus shares etc., is Rs. 326,420,216/-.

Notes to Financial Statements (Contd.)

NOTE 10 - PROPERTY, PLANT & EQUIPMENT *Contd.*

10.2 The carrying amount of revalued assets as at 31.03.2009 if these assets are carried at cost less accumulated depreciation is as follows :

| | Valued on | Cost as at 31.3.2009 Rs. | Accumulated Depreciation as at 31.3.2009 Rs. | Net Carrying Amount as at 31.03.2009 Rs. | Net Carrying Amount as at 31.03.2008 Rs. |
|-----------|------------|--------------------------|--|--|--|
| Land | 01.09.2007 | 33,367,145 | - | 33,367,145 | 33,367,145 |
| Buildings | 01.09.2007 | 85,322,918 | 41,168,514 | 44,154,404 | 47,567,321 |
| | | <u>118,690,063</u> | <u>41,168,514</u> | <u>77,521,549</u> | <u>80,934,466</u> |

Cost of Plant & Machinery valued on 30.06.1977 is presently not ascertained.

The net book value as at 31.3.2009 would be nil on the basis of the depreciation policy at 10% on cost.

Group

10.3 Balance as at 31.03.2009 includes assets at valuation as follows.

| Assets | Valued on | Basis of Valuation | Name of Valuer | Valued Amount Rs. | Additions at Cost since the date of Valuation Rs. | As at 31.03.2009 Rs. |
|--------------------------------------|------------|---------------------|----------------------------|-------------------|---|----------------------|
| Land | | | | | | |
| ACL Cables PLC | 01.09.2007 | Market Value Method | Mr. J.M Senanayaka Bandara | 236,962,350 | 109,699,000 | 346,661,350 |
| Kelani Cables PLC | 31.03.2007 | Market Value Method | Mr. H.W Wimalasena | 76,900,000 | 44,849,154 | 121,749,154 |
| ACL Plastics PLC | 20.03.2009 | Market Value Method | Mr. J.M Senanayaka Bandara | 44,975,000 | 3,759,850 | 48,734,850 |
| Ceylon Bulbs & Electricals Ltd | 25.07.1988 | - | Mr. B.G. Jayathilake | 13,674,500 | - | 13,674,500 |
| Buildings | | | | | | |
| ACL Cables PLC | 01.09.2007 | Market Value Method | Mr. J.M Senanayaka Bandara | 271,087,650 | 12,545,000 | 283,632,650 |
| Kelani Cables PLC | 31.03.2007 | - | Mr. H.W Wimalasena | 75,100,000 | 5,197,168 | 80,297,168 |
| ACL Plastics PLC | 20.03.2009 | Market Value Method | Mr. J.M Senanayaka Bandara | 58,025,000 | 5,770,976 | 63,795,976 |
| Part of Plant & Machinery | | | | | | |
| ACL Cables PLC | 30.06.1977 | Market Value Method | - | 1,542,100 | 667,561,302 | 669,103,402 |

The revalued excess values of Land & Buildings and Plant & Machinery over its cost as at the valuation dates were transferred to Capital Reserve.

| | Revaluation Surplus on 31.03.2009 Rs. | Revaluation Surplus on 31.03.2008 Rs. |
|--------------------------------|---------------------------------------|---------------------------------------|
| ACL Cables PLC | 326,420,216 | 326,420,216 |
| Kelani Cables PLC | 113,487,688 | 113,487,688 |
| ACL Plastics PLC | 55,998,865 | - |
| Ceylon Bulbs & Electricals Ltd | 13,378,550 | 13,378,550 |

10.4 The carrying amount of revalued assets as at 31.03.2009 if these assets are carried at cost less depreciation is as follows :

| Valued on | | Cost as at 31.3.2009 Rs. | Accumulated Depreciation as at 31.3.2009 Rs. | Net Carrying Amount as at 31.03.2009 Rs. | Net Carrying Amount as at 31.03.2008 Rs. |
|--------------------------------|------------|-----------------------------------|--|--|--|
| Land | | | | | |
| ACL Cables PLC | 01.09.2007 | 33,367,145 | - | 33,367,145 | 33,367,145 |
| Kelani Cables PLC | 31.03.2007 | 8,530,505 | - | 8,530,505 | 8,530,505 |
| ACL Plastics PLC | 20.03.2009 | 3,478,925 | - | 3,748,925 | 3,748,925 |
| Ceylon Bulbs & Electricals Ltd | 25.07.1988 | 295,950 | - | 295,950 | 295,950 |
| Buildings | | | | | |
| ACL Cables PLC | 01.09.2007 | 85,322,918 | 41,168,514 | 44,154,404 | 47,567,321 |
| Kelani Cables PLC | 31.03.2007 | 28,397,188 | 11,470,715 | 16,926,473 | 18,117,913 |
| ACL Plastics PLC | 20.03.2009 | 35,312,748 | 14,315,842 | 20,996,906 | - |

Cost of Plant & Machinery valued on 30.06.1977 by ACL Cables PLC is presently not ascertained.

The net book value as at 31.3.2009 would be nil on the basis of the depreciation policy at 10% on cost.

10.5 The initial cost of fully depreciated Property, Plant & Equipment which are still in use as at the Balance Sheet date.

| | 31.03.2009 Rs. | 31.03.2008 Rs. |
|-------------------|-------------------|-------------------|
| ACL Cables PLC | 231,783,140 | 220,189,013 |
| ACL Plastics PLC | 52,911,291 | 50,093,725 |
| Kelani Cables PLC | 218,800,017 | 188,256,075 |

NOTE 11 - INVESTMENT PROPERTY

| As at 31st March | Group | | Company | |
|---|--------------------|--------------------|-------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Balance on 1st April | 104,000,000 | 104,000,000 | - | - |
| Change in Fair Value of Investment Property | 16,000,000 | - | - | - |
| Balance on 31st March | <u>120,000,000</u> | <u>104,000,000</u> | <u>-</u> | <u>-</u> |

The Investment Property represents the Land owned by the Subsidiary, Kelani Cables PLC and situated at Ekala. The value was determined on fair value basis using market evidence.

The valuation was carried out by an independent professional valuer Mr. H.W.Wimalasena, a Associate Member of the Institute of Valuers of Sri Lanka as at 31st March 2009

The change in fair value of Investment Property of Rs. 16,000,000/- was credited to the Income Statement. The fair value of investment Property as at 31st March 2009 is Rs. 120,000,000/-.

Notes to Financial Statements (Contd.)

NOTE 12 - INTANGIBLE ASSETS

| | Group | | Company | |
|---------------------------------|-------------|-------------|-------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Balance on 1st April | 38,945,423 | 38,943,337 | - | - |
| On Subsequent Acquisition | - | 2,086 | - | - |
| Balance on 31st March | 38,945,423 | 38,945,423 | - | - |
| Accumulated Amortization | | | | |
| Balance on 1st April | 32,951,721 | 32,951,721 | - | - |
| Balance on 31st March | 32,951,721 | 32,951,721 | - | - |
| Net Book Value | 5,993,702 | 5,993,702 | - | - |

Goodwill arising on Consolidation of Subsidiaries and amounts are as follows :

| Year | Subsidiary Company | Goodwill on Consolidation Rs |
|---------|---|------------------------------------|
| 1994/95 | ACL Plastics PLC. | 6,090,495 |
| 1995/96 | Lanka Olex Cables Ltd. and Kelani Cables PLC. | 26,035,049 |
| 1997/98 | Ceylon Bulbs & Electricals Ltd. | 459,455 |
| 2004/05 | ACL Kelani Magnet Wire (Pvt) Ltd | 916,805 |
| 2006/07 | Ceylon Bulbs & Electricals Ltd. | 5,441,533 |
| 2007/08 | Ceylon Bulbs & Electricals Ltd. | 2,086 |

Goodwill arising from business combinations after 1st June 2005, is no longer amortised but tested for impairment annually as per SLAS 25 (Revised 2005)

Negative Goodwill arising on Consolidation of Subsidiaries and amounts are as follows :

| Year | Subsidiary Company | Negative Goodwill on Consolidation Rs |
|---------|---|--|
| 1998/99 | ACL Plastics PLC. | 5,127,592 |
| 1999/00 | Lanka Olex Cables (Pvt) Ltd. and Kelani Cables PLC. | 17,502,019 |
| 1999/00 | Ceylon Bulbs & Electricals Ltd. | 1,738 |

Negative Goodwill arising from Business Combinations after 1st June 2005, is no longer amortised but charged to the Income Statement fully in the year of acquisition.

NOTE 13 - LEASEHOLD PROPERTIES

| | Group | | Company | |
|--|-------------|-------------|-------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Land | | | | |
| Balance on 1st April | 1,886,452 | 1,908,387 | - | - |
| Amortisation during the year | (21,935) | (21,935) | - | - |
| Balance on 31st March | 1,864,517 | 1,886,452 | - | - |
| Amount to be amortised within one year | (21,935) | (21,935) | - | - |
| Amount to be amortised after one year | 1,842,582 | 1,864,517 | - | - |

Property on Operating Lease

| Property | Land Extent | Lease Period | Rental |
|---------------------------------------|-------------|--------------------------|----------------------|
| Victoria Golf Course & Country Resort | R 01 - P9 | 92 years from 24.01.2002 | Rs. 21,935 per annum |
| | | 2012-2094 | Rs. 22,203 per annum |

NOTE 14 - INVESTMENTS IN SUBSIDIARIES

Company

| At Cost | % Holding | | No. of Shares | 2009 | | No. of Shares | 2008 | |
|--|-----------|--------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|
| | 2009 | 2008 | | Cost Rs. | Market Value Rs. | | Cost Rs. | Market Value Rs. |
| QUOTED : - | | | | | | | | |
| ACL Plastics PLC | 65.20 | 65.20 | 2,746,969 | 33,300,217 | 71,421,194 | 2,746,969 | 33,300,217 | 120,179,894 |
| Kelani Cables PLC | 79.30 | 79.30 | 466,879 | 10,752,498 | 22,877,022 | 466,879 | 10,752,498 | 44,470,130 |
| Total Cost of Investments in Quoted Subsidiaries | | | | <u>44,052,715</u> | <u>94,298,216</u> | | <u>44,052,715</u> | <u>164,650,024</u> |
| UNQUOTED : - | | | | | | | | |
| Ceylon Bulbs & Electricals Ltd | 89.33 | 89.33 | 986,804 | 43,108,815 | 43,108,815 | 986,804 | 43,108,815 | 43,108,815 |
| Lanka Olex Cables (Pvt) Ltd | | | | | | | | |
| "A" Class Ordinary Shares | 99.00 | 99.00 | 99 | - | - | 99 | - | - |
| "B" Class Ordinary Shares | 100.00 | 100.00 | 3,065,610 | 291,180,491 | 291,180,491 | 3,065,610 | 291,180,491 | 291,180,491 |
| Preference Shares | 100.00 | 100.00 | 161,818 | - | - | 161,818 | - | - |
| ACL Kelani Magnet Wire (Pvt) Ltd. | 93.79 | 93.79 | 11,950,000 | 119,500,000 | 119,500,000 | 11,950,000 | 119,500,000 | 119,500,000 |
| ACL Metals & Alloys (Pvt) Ltd. | 100.00 | 100.00 | 2,500,000 | 25,000,000 | 25,000,000 | 2,500,000 | 25,000,000 | 25,000,000 |
| Total Cost of Investments in unquoted Subsidiaries | | | | <u>478,789,306</u> | <u>478,789,306</u> | | <u>478,789,306</u> | <u>478,789,306</u> |
| Total Cost of Investments in Subsidiaries | | | | <u>522,842,021</u> | <u>573,087,522</u> | | <u>522,842,021</u> | <u>643,439,330</u> |

ACL Cables PLC. acquired a controlling interest in Lanka Olex Cables (Pvt) Ltd. in October 1999. Kelani Cables PLC. and Kelani Electrical Accessories (Pvt) Ltd. are Subsidiaries of Lanka Olex Cables (Pvt) Ltd.

Kelani Electrical Accessories (Pvt) Ltd has ceased operations since September 1995.

Class of shares refers to Ordinary Shares unless otherwise stated.

Notes to Financial Statements (Contd.)

NOTE 15 - INVESTMENTS IN OTHER COMPANIES

| Company | 2009 | | | 2008 | | |
|--|---------------|------------------|------------------|---------------|------------------|------------------|
| | No. of Shares | Cost Rs. | Market Value Rs. | No. of Shares | Cost Rs. | Market Value Rs. |
| At Cost | | | | | | |
| QUOTED | | | | | | |
| Banking, Finance & Insurance | | | | | | |
| Merchant Bank of Sri Lanka PLC | 12,199 | 1,471,923 | 109,791 | 12,199 | 1,471,923 | 201,284 |
| Nations Trust Bank - Ordinary Shares | 18,613 | 221,215 | 442,059 | 18,613 | 221,215 | 553,737 |
| - Share Warrants - 2010 | 4,653 | 46,530 | 16,286 | 4,653 | 46,530 | 24,428 |
| - Share Warrants - 2011 | 2,326 | 23,260 | 9,071 | 2,326 | 23,260 | 12,211 |
| Chemicals & Pharmaceuticals | | | | | | |
| Chemical Industries (Colombo) PLC | 432 | 2,976 | 13,608 | 432 | 2,976 | 14,580 |
| Land & Properties | | | | | | |
| Kelsey Development PLC | 1,687 | 29,163 | 11,387 | 1,687 | 29,163 | 27,835 |
| Colombo Fort Land & Building Co. PLC | 14 | 252 | 55 | 14 | 252 | 62 |
| Beverage Food & Tobacco | | | | | | |
| Ceylon Tobacco Co. PLC | 1,862 | 39,585 | 178,752 | 1,862 | 39,585 | 116,841 |
| Footwear & Textiles | | | | | | |
| Asian Cotton Mills PLC (ASCOT) | 67 | 1,938 | 1,407 | 67 | 1,938 | 2,764 |
| Manufacturing | | | | | | |
| Caltex Lubricants Lanka PLC | 55,200 | 5,236,144 | 5,823,600 | 55,200 | 5,236,144 | 5,409,600 |
| Diversified Holdings | | | | | | |
| John Keells Holdings PLC | 11,819 | 857,542 | 741,642 | 11,819 | 857,542 | 1,412,371 |
| Motors | | | | | | |
| United Motors (Lanka) PLC | 71 | - | 2,379 | 71 | - | 3,816 |
| Trading | | | | | | |
| Singer (Sri Lanka) PLC | 332 | 6,185 | 10,707 | 332 | 6,185 | 19,007 |
| Total Cost of Investments by the Company | | <u>7,936,713</u> | <u>7,360,744</u> | | <u>7,936,713</u> | <u>7,798,536</u> |

Class of shares refers to Ordinary Shares unless otherwise stated.

| Investments by Subsidiary Companies | 2009 | | | 2008 | | |
|---|---------------|-------------------|-------------------|---------------|-------------------|-------------------|
| | No. of Shares | Cost Rs. | Market Value Rs. | No. of Shares | Cost Rs. | Market Value Rs. |
| At Cost | | | | | | |
| QUOTED | | | | | | |
| Banking, Finance & Insurance | | | | | | |
| National Development Bank | 22,500 | 4,005,229 | 2,002,500 | 22,500 | 4,005,229 | 3,735,000 |
| Asia Capital PLC | 20,000 | 294,112 | 110,000 | 20,000 | 294,112 | 205,000 |
| Nations Trust Bank - Ordinary Shares | 18,613 | 221,215 | 442,059 | 18,613 | 221,215 | 553,737 |
| - Share Warrants - 2010 | 4,653 | 46,530 | 16,286 | 4,653 | 46,530 | 24,428 |
| - Share Warrants - 2011 | 2,326 | 23,260 | 9,071 | 2,326 | 23,260 | 12,212 |
| DFCC Bank | 13 | 2,000 | 884 | 13 | 2,000 | 1,638 |
| Plantation | | | | | | |
| Maskeliya Plantations PLC | 8,200 | 374,258 | 112,750 | 8,200 | 374,258 | 213,200 |
| Watawala Plantations PLC | 20,000 | 1,252,041 | 1,075,000 | 20,000 | 1,252,041 | 1,720,000 |
| Hapugastenna Plantations PLC | 5,000 | 233,275 | 97,500 | 5,000 | 233,275 | 250,000 |
| Kegalle Plantations PLC | 20,000 | 1,014,000 | 380,000 | 20,000 | 1,014,000 | 1,200,000 |
| Kotagala Plantations PLC | 10,000 | 476,580 | 160,000 | 10,000 | 476,580 | 675,000 |
| Manufacturing | | | | | | |
| Kelani Tyres PLC | - | - | - | 30,000 | 546,820 | 720,000 |
| Diversified Holdings | | | | | | |
| Hayleys PLC | 96,268 | 7,305,684 | 8,664,120 | 96,268 | 7,305,683 | 9,410,197 |
| Total Cost of Investments by Subsidiaries | | <u>15,248,184</u> | <u>13,070,170</u> | | <u>15,795,003</u> | <u>18,720,412</u> |
| Total Cost of Investments by Group | | <u>23,184,897</u> | <u>20,430,914</u> | | <u>23,731,716</u> | <u>26,518,948</u> |

Class of shares refers to Ordinary Shares unless otherwise stated.

NOTE 16 - INVENTORIES

| As at 31st March | Group | | Company | |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Raw Materials | 397,515,923 | 517,471,091 | 226,507,951 | 241,162,035 |
| Work-in-Progress | 381,442,320 | 523,605,157 | 277,543,759 | 273,134,034 |
| Finished Goods | 1,205,130,391 | 1,301,454,341 | 701,456,235 | 807,590,669 |
| Other Stocks | 115,588,669 | 99,555,178 | 57,753,180 | 48,796,443 |
| Goods in Transit | <u>38,352,202</u> | <u>13,081,690</u> | - | - |
| | 2,138,029,505 | 2,455,167,457 | 1,263,261,125 | 1,370,683,181 |
| Provision for Obsolete Stock | <u>(56,810,372)</u> | <u>(45,417,633)</u> | <u>(30,000,000)</u> | <u>(20,000,000)</u> |
| | <u>2,081,219,133</u> | <u>2,409,749,824</u> | <u>1,233,261,125</u> | <u>1,350,683,181</u> |
| 16.1 Provision for Inventories | | | | |
| At beginning of the year | 45,417,633 | 43,710,251 | 20,000,000 | 20,000,000 |
| Provision for the year | 12,900,337 | 3,756,209 | 10,000,000 | - |
| Writeoff of Inventory | <u>(1,507,598)</u> | <u>(2,048,827)</u> | - | - |
| At end of the year | <u>56,810,372</u> | <u>45,417,633</u> | <u>30,000,000</u> | <u>20,000,000</u> |

Value of inventories of ACL Cables PLC, ACL Plastics PLC & Kelani Cables PLC are pledged as security for bank facilities obtained.

Notes to Financial Statements (Contd.)

NOTE 17 - TRADE AND OTHER RECEIVABLES

| As at 31st March | Group | | Company | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Trade Debtors | 1,892,296,564 | 2,697,183,121 | 1,147,899,876 | 1,480,319,431 |
| Provision for Doubtful Debts (Note 17.1) | (66,003,054) | (48,800,762) | (40,000,000) | (30,000,000) |
| | 1,826,293,510 | 2,648,382,359 | 1,107,899,876 | 1,450,319,431 |
| Hedging Payments (Note 17.2) | 63,355,797 | | - | |
| Advances, Deposits & Prepayments | 69,257,135 | 50,225,662 | 16,025,910 | 27,804,766 |
| Loans to Employees | 9,148,542 | 7,653,355 | 6,616,531 | 5,568,161 |
| Other Receivables | 438,859,902 | 399,007,287 | 330,663,210 | 210,090,473 |
| | <u>2,406,914,886</u> | <u>3,105,268,663</u> | <u>1,461,205,527</u> | <u>1,693,782,831</u> |

Value of book debts of ACL Cables PLC and Kelani Cables PLC have been pledged as security for bank facilities obtained.

17.1 Provision for Doubtful Debts

| | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| At beginning of the year | 48,800,762 | 34,459,113 | 30,000,000 | 20,000,000 |
| Provision for the year | 17,256,384 | 14,341,649 | 10,000,000 | 10,000,000 |
| Bad debts written off | (54,092) | - | - | - |
| At end of the year | <u>66,003,054</u> | <u>48,800,762</u> | <u>40,000,000</u> | <u>30,000,000</u> |

17.2 Hedging Payments

The hedging cost of Rs. 63,355,797/- incurred on the hedging contract entered into with Deutsche Bank on 08.09.08 by ACL Cables PLC on behalf of ACL Kelani Magnet Wire (Pvt) Ltd. has been deferred since the Company has back to back negotiated invoices with LG Electronics India to absorb the cost in the subsequent year.

NOTE 18 - AMOUNTS DUE FROM RELATED COMPANIES

| | Relationship | | | | |
|----------------------------------|--------------|---|---|-------------------|-------------------|
| ACL Metals & Alloys (Pvt) Ltd | Subsidiary | - | - | 25,961,800 | - |
| Ceylon Bulbs & Electricals Ltd | Subsidiary | - | - | 7,867,004 | 8,304,284 |
| ACL Kelani Magnet Wire (Pvt) Ltd | Subsidiary | - | - | 4,075,127 | 24,110,676 |
| ACL Plastics PLC | Subsidiary | - | - | 22,069,548 | 23,018,189 |
| | | - | - | <u>59,973,479</u> | <u>55,433,149</u> |

NOTE 19 - LOANS DUE FROM RELATED COMPANIES

| | Relationship | | | | |
|----------------------------------|--------------|---|---|-------------------|-------------------|
| ACL Metals & Alloys (Pvt) Ltd | Subsidiary | - | - | 31,184,703 | 31,184,703 |
| ACL Kelani Magnet Wire (Pvt) Ltd | Subsidiary | - | - | 32,075,221 | 32,075,221 |
| | | - | - | <u>63,259,924</u> | <u>63,259,924</u> |

NOTE 20 - SHORT TERM DEPOSITS

| | | | | |
|--|-------------|-------------|-------------|-------------|
| Fixed Deposits in Foreign & Local Currency | 295,224,563 | 390,092,270 | 295,224,563 | 176,224,483 |
|--|-------------|-------------|-------------|-------------|

NOTE 21 - CASH AND CASH EQUIVALENTS

| As at 31st March | Group | | Company | |
|--|----------------------|----------------------|----------------------|--------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Favourable Cash and Bank Balances | | | | |
| Cash at Bank | 312,310,333 | 447,229,713 | 113,137,569 | 346,034,968 |
| Cash in Hand | 1,153,503 | 4,272,287 | 895,513 | 1,061,259 |
| | <u>313,463,836</u> | <u>451,502,000</u> | <u>114,033,082</u> | <u>347,096,227</u> |
| Unfavourable Bank Balances | | | | |
| Bank Overdrafts | (731,323,757) | (711,270,713) | (367,257,609) | (354,408,358) |
| Net Cash & Cash Equivalents | <u>(417,859,921)</u> | <u>(259,768,713)</u> | <u>(253,224,527)</u> | <u>(7,312,131)</u> |

Book Debts of ACL Cables PLC and Kelani Cables PLC are pledged as security for overdraft facilities obtained.

NOTE 22 - STATED CAPITAL

| As at 31st March | No. of Shares | | Group | | Company | |
|------------------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| | 2009 | 2008 | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Issued and Fully Paid | | | | | | |
| Balance on 1st April | 59,893,680 | 29,946,840 | 299,488,400 | 299,488,400 | 299,488,400 | 299,488,400 |
| Share Split | - | 29,946,840 | - | - | - | - |
| Balance on 31st March | <u>59,893,680</u> | <u>59,893,680</u> | <u>299,488,400</u> | <u>299,488,400</u> | <u>299,488,400</u> | <u>299,488,400</u> |

The total amount received by the Company or due and payable to the Company in respect of the issue of shares are referred to as "Stated Capital".

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In view of the new Companies Act No 7 of 2007 taking effect from 3rd May 2007, the earlier decision made by the Board of Directors of the Company, on the 19th of March 2007 to effect a Bonus issue of Shares of one new Ordinary Share for every existing Ordinary Share was cancelled and instead, the Company decided to split its 29,946,840 shares into 59,893,680 shares, without changing the Stated Capital approved by the shareholders by way of a Special Resolution passed at an Extra Ordinary General Meeting held on 14th March 2008.

NOTE 23 - CAPITAL RESERVES

| As at 31st March | Group | | Company | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Capital Redemption Reserve Fund | 2,625,000 | 2,625,000 | 2,625,000 | 2,625,000 |
| Surplus on Revaluation of Property, Plant & Equipment (Note 23(a)) | 436,787,582 | 400,276,322 | 326,420,216 | 326,420,216 |
| Profit on Sale of Property, Plant & Equipment and Investments | 1,810,518 | 1,810,518 | 1,810,518 | 1,810,518 |
| | <u>441,223,100</u> | <u>404,711,840</u> | <u>330,855,734</u> | <u>330,855,734</u> |

Notes to Financial Statements (Contd.)

NOTE 23 - CAPITAL RESERVES *Contd.*

Capital Redemption Reserve Fund (CRRF) was created consequent to redemption of shares.
Revaluation Surplus is a Capital Reserve arising from net surplus on revaluation of Property, Plant & Equipment.
Profit on sale of Property, Plant & Equipment and Investments is a capital reserve.

NOTE 23(a) - SURPLUS ON REVALUATION OF PROPERTY, PLANT & EQUIPMENT

| As at 31st March | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Balance on 1st April | 400,276,322 | 150,103,658 | 326,420,216 | 76,247,552 |
| Surplus on Revaluation of Land & Buildings | 45,087,818 | 286,399,613 | - | 286,399,613 |
| Deferred Tax on Revaluation of Buildings | (8,576,558) | (36,226,949) | - | (36,226,949) |
| Balance on 31st March | <u>436,787,582</u> | <u>400,276,322</u> | <u>326,420,216</u> | <u>326,420,216</u> |

NOTE 24 - REVENUE RESERVES

General Reserve

| As at 31st March | Group | | Company | |
|---------------------------------|----------------------|----------------------|--------------------|--------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Balance on 1st April | 1,124,510,232 | 1,124,510,232 | 680,265,800 | 680,265,800 |
| Transferred to Income Statement | (685,152) | - | - | - |
| Balance on 31st March | <u>1,123,825,080</u> | <u>1,124,510,232</u> | <u>680,265,800</u> | <u>680,265,800</u> |

General Reserve consists of such amounts that have been from time to time transferred from retained earnings as resolved at General Meetings of the Company for general application.

NOTE 25 - PROVISION FOR PAYMENT IN LIEU OF EMPLOYEE SHARE ISSUE SCHEME

| As at 31st March | Group | | Company | |
|-------------------------------|------------------|------------------|-------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Balance on 1st April | 3,492,163 | 4,050,010 | - | - |
| Payments made during the year | (393,283) | (557,847) | - | - |
| Balance on 31st March | <u>3,098,880</u> | <u>3,492,163</u> | <u>-</u> | <u>-</u> |

In view of the smooth transfer of ownership from Pacific Dunlop Cables Group to ACL Group the management expressed their goodwill to employees by allocating a fixed sum as compensation for the share ownership scheme which was proposed earlier. The employees who were in employment as at 11 September 1999 are eligible for the payment which will be made at the time of resignation or retirement.

NOTE 26 - INTEREST BEARING BORROWINGS

| As at 31st March | Group | | Company | |
|--------------------------------|--------------------|--------------------|-------------------|--------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Loans - (Secured) | | | | |
| Balance on 1st April | 190,851,514 | 269,359,236 | 133,604,167 | 187,229,167 |
| Payments made during the year | (80,463,841) | (78,507,722) | (59,125,000) | (53,625,000) |
| Balance on 31st March | <u>110,387,673</u> | <u>190,851,514</u> | <u>74,479,167</u> | <u>133,604,167</u> |
| Loan Repayable within one year | (89,116,196) | (82,858,156) | (63,687,500) | (59,125,000) |
| Loan Repayable after one year | <u>21,271,477</u> | <u>107,993,358</u> | <u>10,791,667</u> | <u>74,479,167</u> |

Terms of Repayment and Security

| Lender & Rate of Interest | | Balance on 31.03.2009 | Terms of Repayments |
|----------------------------------|---|--------------------------|--|
| ACL Cables PLC | | | |
| NDB 11.5% per annum | A Primary Mortgage over Land & Buildings and Plant & Machinery. A Corporate Gurantee of Rs. 75 Mn from Kelani Cables PLC | 74,479,167 | 13 monthly instalments of Rs. 3,895,833 12 monthly instalments of Rs. 4,125,000 12 monthly instalments of Rs. 4,583,333 12 monthly instalments of Rs. 5,041,667 11 monthly instalments of Rs. 5,395,833 |
| Subsidiary | | | |
| ACL Kelani Magnet Wire (Pvt) Ltd | | | |
| HNB LIBOR + 2% | Primary Floating Mortgage bond for US \$ 2.1Mn over immovable property consisting of Land, Building and Machinery at the Company's Factory premises at Raja Mawatha, Ekala, Ja-Ela. | 35,908,506 | 59 monthly instalments of US \$ 18,350/- + interest and a final instalment of US \$ 17,350/- + Interest after a grace period of one year. Monthly interest to be paid during the grace period as well. |
| | | <u>110,387,673</u> | |

NOTE 27 - FINANCE LEASE OBLIGATION

| As at 31st March | Group | | Company | |
|--|------------------|-------------|------------------|-------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Lease Liability | | | | |
| Balance on 1st April | - | - | - | - |
| Lease obtained during the year | 3,158,820 | - | 3,158,820 | - |
| Rentals paid during the year | (579,118) | - | (579,118) | - |
| Balance on 31st March | <u>2,579,702</u> | <u>-</u> | <u>2,579,702</u> | <u>-</u> |
| Interest in Suspence | | | | |
| Balance on 1st April | - | - | - | - |
| Interest on Lease obtained during the year | 1,158,820 | - | 1,158,820 | - |
| Charge to Income Statement | (342,238) | - | (342,238) | - |
| Balance on 31st March | <u>816,582</u> | <u>-</u> | <u>816,582</u> | <u>-</u> |
| Net Liability on 31st March | 1,763,120 | - | 1,763,120 | - |
| Net Liability Payable within one Year | (311,690) | - | (311,690) | - |
| Net Liability Payable after one Year | <u>1,451,430</u> | <u>-</u> | <u>1,451,430</u> | <u>-</u> |

Notes to Financial Statements (Contd.)

NOTE 28 - RETIREMENT BENEFIT OBLIGATION

| As at 31st March | Group | | Company | |
|-------------------------------|--------------------|--------------------|-------------------|-------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Gratuity | | | | |
| Balance on 1st April | 106,494,886 | 88,738,049 | 74,769,494 | 58,693,985 |
| Provision for the year | 659,577 | 22,962,145 | (3,563,817) | 16,794,816 |
| Transfer | - | - | - | 1,650,000 |
| | <u>107,154,463</u> | <u>111,700,194</u> | <u>71,205,677</u> | <u>77,138,801</u> |
| Payments made during the year | (6,251,671) | (5,205,308) | (2,196,069) | (2,369,307) |
| Balance on 31st March | <u>100,902,792</u> | <u>106,494,886</u> | <u>69,009,608</u> | <u>74,769,494</u> |

The Company has adopted SLAS 16 - (Revised 2006) - Employee Benefits prospectively from April 1, 2008. As the Company could not carry out an actuarial valuation of retirement benefit obligations as at 31st March 2008 and for the periods prior to 31st March 2008 the said standard has been adopted prospectively.

The Company maintains a non-contributory defined benefit plan providing for gratuity benefits payable to employees expressed in terms of final monthly salary and service.

As at 31st March 2009, the gratuity liability was actuarially valued under the Projected Unit Credit (PUC) method by a professionally qualified actuary firm. Actuarial & Management Consultants (Pvt) Ltd.

The key assumptions used by the actuary include the following :

- | | | |
|-----|-----------------------|----------|
| (a) | Rate of Interest | 12% p.a. |
| (b) | Salary Increment Rate | 10% p.a. |
| (c) | Retirement Age | |
| | Males | 55 years |
| | Females | 55 years |

The required accounting provision of the Company as at 31st March 2009 has been determined based on the recommendation on this report.

NOTE 29 - DEFERRED TAX LIABILITY

| As at 31st March | Group | | Company | |
|--|-------------------|--------------------|-------------------|-------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Balance on 1st April | 109,767,941 | 66,197,168 | 83,442,362 | 37,278,788 |
| Charge / (Reversal) during the year | (35,410,605) | 7,343,824 | (31,406,649) | 9,936,625 |
| Tax effect on Surplus on Revaluation Reserve | 13,154,230 | 36,226,949 | - | 36,226,949 |
| Impact on Increase / (Decrease) in Tax Rates | (11,919,277) | - | (11,944,483) | - |
| Balance on 31st March | <u>75,592,289</u> | <u>109,767,941</u> | <u>40,091,230</u> | <u>83,442,362</u> |

29.1 - Analysis of Deferred Tax Liability - Company & Consolidated

Group

| | 2009 | | 2008 | |
|-----------------------------|----------------------|-------------------|----------------------|--------------------|
| | Temporary Difference | Tax | Temporary Difference | Tax |
| Property, Plant & Equipment | 361,471,324 | 104,969,888 | 462,371,873 | 142,714,588 |
| Defined Benefit Obligation | (99,816,117) | (28,292,990) | (102,098,066) | (31,724,390) |
| Employee Share Issue Scheme | (3,098,880) | (1,084,609) | (3,492,163) | (1,222,257) |
| Balance on 31st March | <u>258,556,327</u> | <u>75,592,289</u> | <u>356,781,644</u> | <u>109,767,941</u> |

Company

| | 2009 | | 2008 | |
|-----------------------------|----------------------|-------------------|----------------------|-------------------|
| | Temporary Difference | Tax | Temporary Difference | Tax |
| Property, Plant & Equipment | 226,973,475 | 57,605,868 | 356,479,021 | 105,589,086 |
| Defined Benefit Obligation | (69,009,608) | (17,514,638) | (74,769,494) | (22,146,724) |
| Balance on 31st March | <u>157,963,867</u> | <u>40,091,230</u> | <u>281,709,527</u> | <u>83,442,362</u> |

NOTE 30 - TRADE AND OTHER PAYABLES

| As at 31st March | Group | | Company | |
|---------------------------|--------------------|----------------------|--------------------|--------------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Trade Creditors | 139,799,303 | 1,400,261,087 | 157,425,687 | 706,435,813 |
| Accrued Expenses | 181,115,281 | 51,267,584 | 174,026,018 | 31,723,712 |
| Other Payables & Deposits | 350,164,510 | 21,430,078 | 170,750 | 143,250 |
| Unclaimed Dividends | 6,823,136 | 5,380,435 | 2,871,331 | 1,711,101 |
| | <u>677,902,230</u> | <u>1,478,339,184</u> | <u>334,493,786</u> | <u>740,013,876</u> |

NOTE 31 - SHORT TERM BORROWINGS

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Long Term Loans Repayable within one year | 89,116,196 | 82,858,156 | 63,687,500 | 59,125,000 |
| Short Term Loans | <u>1,203,543,497</u> | <u>1,462,017,411</u> | <u>1,203,543,497</u> | <u>969,020,586</u> |
| | <u>1,292,659,693</u> | <u>1,544,875,567</u> | <u>1,267,230,997</u> | <u>1,028,145,586</u> |

NOTE 32 - AMOUNTS DUE TO RELATED COMPANIES

| | Relationship | 2009 | 2008 | 2009 | 2008 |
|-------------------------------|--------------|----------|----------|------------------|-------------------|
| Kelani Cables PLC | Subsidiary | - | - | 1,671,269 | 17,806,988 |
| ACL Metals & Alloys (Pvt) Ltd | Subsidiary | - | - | - | 3,355,553 |
| | | <u>-</u> | <u>-</u> | <u>1,671,269</u> | <u>21,162,541</u> |

Notes to Financial Statements (Contd.)

NOTE 33 - LOANS FROM RELATED COMPANIES

| As at 31st March | Relationship | Group | | Company | |
|------------------------------|--------------|-------------|-------------|-------------------|-------------------|
| | | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Kelani Cables PLC | Subsidiary | - | - | 41,854,000 | 41,854,000 |
| ACL Plastics PLC | Subsidiary | - | - | 39,745,056 | 39,745,056 |
| Lanka Olex Cables (Pvt) Ltd. | Subsidiary | - | - | 594,044 | 594,044 |
| | | - | - | <u>82,193,100</u> | <u>82,193,100</u> |

NOTE 34 - INCOME TAX LIABILITIES

| | | | | | |
|--------------------------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|
| Balance on 1st April | | 239,352,011 | 298,583,007 | 178,103,920 | 204,042,583 |
| Provision for the year | | 53,764,000 | 192,274,824 | - | 110,000,000 |
| (Over) / underprovision - Prior year | | (5,602,171) | (5,148,790) | - | (5,687,472) |
| | | <u>287,513,840</u> | <u>485,709,041</u> | <u>178,103,920</u> | <u>308,355,111</u> |
| Payments made | | | | | |
| during the year - | Income Tax | (16,240,008) | (133,878,086) | (773,433) | (54,964,608) |
| | Withholding Tax | (23,473,912) | (32,512,305) | (23,473,912) | (32,512,305) |
| | Economic Service Charge | (70,231,186) | (79,966,639) | (36,698,101) | (42,774,278) |
| Balance on 31st March | | <u>177,568,734</u> | <u>239,352,011</u> | <u>117,158,474</u> | <u>178,103,920</u> |

NOTE 35 - CONTINGENT LIABILITIES

Company

The Company has guaranteed a credit facility of Rs. 24 Mn obtained by Ceylon Bulbs & Electricals Ltd from Hatton National Bank PLC.

The Company has guaranteed a credit facility of Rs. 55 Mn obtained by ACL Plastics PLC from Standard Chartered Bank.

The Company has guaranteed a credit facility of Rs. 375 Mn obtained by ACL Metals & Alloys (Pvt) Ltd from Standard Chartered Bank.

Group

There are no contingent liabilities as at 31.03.2009 which would require adjustments to or disclosure in the Financial Statements other than those disclosed under the Company.

NOTE 36 - CAPITAL COMMITMENTS

Company

The Capital Expenditure approved by the Board and contracted as at 31.03.2009 is Rs. 8.5 Mn. (2007 / 2008 - Rs. 100 Mn.)

Group

The Group Capital Expenditure approved by the Board and contracted as at 31.03.2009 is

ACL Plastics PLC - Rs. 375,000 (2007 / 2008 - Rs. 3 Mn.)

ACL Kelani Magnet Wire (Pvt) Ltd - Nil (2007 / 2008 - Rs. 4 Mn.)

ACL Metals & Alloys (Pvt) Ltd - Rs. 9 Mn (2007 / 2008 - Nil)

NOTE 37 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements other than the following.

Group

Lanka Olex Cables (Pvt) Ltd

The Directors of Lanka Olex Cables (Pvt) Ltd intend to liquidate the Company and transfer the entire shareholding in Kelani Cables PLC to ACL Cables PLC.

ACL Plastics PLC

The Board of Directors of ACL Plastics PLC has proposed a payment of an interim dividend of Rs. 0.75 per share for the year ended 31.03.2009.

Kelani Cables PLC

The Board of Directors of Kelani Cables PLC has proposed a payment of a final dividend of Rs. 2.00 per share for the year ended 31.03.2009.

NOTE 38 - SEGMENT INFORMATION

A - Industry Segment Information

| | Manufacturing Cables 2009 | Manufacturing PVC Compound 2009 | Manufacturing Rods 2009 | Investment 2009 | 2009 | Total 2008 |
|-----------------------|---------------------------------|---------------------------------------|-------------------------------|--------------------|----------------------|----------------------|
| Revenue | | | | | | |
| Total Revenue | 7,900,111,407 | 696,271,989 | 631,837,097 | - | 9,228,220,493 | 10,131,081,205 |
| Inter-Segment Sales | (98,656,853) | (659,135,686) | (631,837,097) | - | (1,389,629,636) | (1,357,500,344) |
| External Sales | <u>7,801,454,554</u> | <u>37,136,303</u> | <u>-</u> | <u>-</u> | <u>7,838,590,857</u> | <u>8,773,580,861</u> |
| Results | | | | | | |
| Profit before Other | | | | | | |
| Income & Finance Cost | 339,964,995 | 48,206,653 | 60,494,088 | (101,773) | 449,480,284 | 909,761,787 |
| Other Income | 37,844,644 | 2,199,926 | - | - | 40,044,570 | 31,506,958 |
| Finance Cost | (279,958,457) | (34,761,866) | (13,396,272) | - | (328,116,595) | (416,973,321) |
| Taxation | 67,888 | (3,416,419) | - | - | (3,348,531) | (200,292,890) |
| Profit after Taxation | | | | | <u>158,059,728</u> | <u>324,002,534</u> |
| Assets | | | | | | |
| Segment Assets | 6,027,214,890 | 354,405,860 | 194,000,584 | 318,711 | 6,575,940,045 | 7,618,375,740 |
| Unallocated | | | | | | |
| Corporate assets | | | | | 298,964,555 | 298,964,615 |
| Total Assets | | | | | <u>6,874,904,600</u> | <u>7,917,340,355</u> |
| Liabilities | | | | | | |
| Segment Liabilities | 2,473,338,410 | 137,817,302 | 159,694,576 | 39,172 | 2,770,889,460 | 3,990,392,311 |
| Unallocated | | | | | | |
| Corporate liabilities | | | | | 311,193,512 | 311,193,512 |
| Total Liabilities | | | | | <u>3,082,082,972</u> | <u>4,301,585,823</u> |

Notes to Financial Statements (Contd.)

NOTE 38 - SEGMENT INFORMATION (Contd.)

A - Industry Segment Information

| | Manufacturing Cables 2009 | Manufacturing PVC Compound 2009 | Manufacturing Rods 2009 | Investment 2009 | 2009 | Total 2008 |
|--|---------------------------------|---------------------------------------|-------------------------------|--------------------|--------------------|--------------------|
| Capital Expenditure | | | | | | |
| Segment Capital Expenditure | 219,403,969 | 10,375,231 | 20,186,492 | - | 249,965,692 | 191,274,706 |
| Total Capital Expenditure | | | | | <u>249,965,692</u> | <u>191,274,706</u> |
| Depreciation & Amortisation | | | | | | |
| Segment Depreciation | 101,447,781 | 7,608,849 | 7,456,294 | | 116,512,924 | 122,730,922 |
| Total Depreciation & Amortisation | | | | | <u>116,512,924</u> | <u>122,730,922</u> |

Subsidiary Companies

Kelani Electrical Accessories (Pvt) Ltd has ceased operations since September 1995.

B - Geographical Segment Information

Geographical Segment Turnover is given in Note 2.

NOTE 39 - RELATED PARTY TRANSACTIONS

The interests in contracts of each Director, direct or indirect in all financing and other arrangements are indicated below.

Mr. U.G. Madanayake, Mr. Suren Madanayake, Dr. S.K. Madanayake, Mrs. N.C. Madanayake, Mr. Hemantha Perera, Mr. Daya Wahalantiri, Mr. Ajit Jayaratne and Mr. Rajiv Casie Chitty were Directors of the Company during the year.

| Subsidiary Company | Name of Director | Position | Details of Contracts / Outstanding Balances | 2009 Rs. | 2008 Rs. |
|--|------------------------|-------------------|---|-------------|-------------|
| ACL Plastics PLC. | Mr. U.G. Madanayake | Chairman | Purchase | 396,064,446 | 430,186,516 |
| | Mr. Suren Madanayake | Managing Director | Loan obtained (at Treasury Bill rate) | 39,745,056 | 39,745,056 |
| | Mrs. N.C. Madanayake | Director | Interest Expense | 6,978,238 | 2,980,879 |
| | Dr. S.K. Madanayake | Director | Amount due from Debtors | 22,069,548 | 23,018,189 |
| | | | Creditors | 563,645 | 563,645 |
| | | | | 69,446,852 | 98,916,969 |
| | | | | | |
| ACL Cables PLC has guaranteed a Bank Credit facility of Rs. 55 Mn obtained by ACL Plastics PLC from Standard Chartered Bank. | | | | | |
| Kelani Cables PLC | Mr. U.G. Madanayake | Chairman | Machine Purchased | 73,685,230 | - |
| | Mr. Suren Madanayake | Deputy Chairman | Raw Materials - Sales | 49,036,783 | 32,618,364 |
| | Dr. S.K. Madanayake | Director | - Purchase | 19,969,244 | 20,857,419 |
| | Mrs. N.C. Madanayake | Director | Loan obtained (3 month T.Bill) | 41,854,000 | 41,854,000 |
| | Mr. Hemantha Perera | Managing Director | Interest Paid | 7,348,518 | 7,483,495 |
| | **Mr. Chandra de Silva | | Material Loan Given | 5,844,643 | - |
| | | | Amount due to Debtors | 1,671,269 | 17,806,988 |
| | | | Creditors | 12,361,691 | 19,670,835 |
| | | | | 2,727,487 | 5,645,348 |
| | | | | | |

| Subsidiary Company | Name of Director | Position | Details of Contracts / Outstanding Balances | 2009 Rs. | 2008 Rs. | | | |
|---|------------------------|-------------------|---|------------|-------------|--|-------------|-------------|
| Kelani Magnet Wire (Pvt) Ltd | Mr. U.G. Madanayake | Director | Sales | 29,007,021 | 275,517,712 | | | |
| | Mr. Suren Madanayake | Director | Amount due from | 4,075,127 | 24,110,676 | | | |
| | Mr. Hemantha Perera | Director | Loan given (interest free) | 32,075,221 | 32,075,221 | | | |
| | | | Debtors | 64,222,915 | 123,600,920 | | | |
| ACL Cables PLC has entered into hedging contracts on behalf of ACL Kelani Magnet Wire (Pvt) Ltd. during the year Hedging Liabilities outstanding as at 31/03/09 is Rs. 28 Mn. | | | | | | | | |
| Lanka Olex Cables (Pvt) Ltd | Mr. U.G. Madanayake | Chairman | Loan taken (interest free) | 594,044 | 594,044 | | | |
| | Mr. Suren Madanayake | Managing Director | | | | | | |
| | Mrs. N.C. Madanayake | Director | | | | | | |
| | Dr. S.K. Madanayake | Director | | | | | | |
| | **Mr. Chandra de Silva | | | | | | | |
| Ceylon Bulbs & Electricals Ltd. | Mr. Suren Madanayake | Managing Director | Amount due from | 7,867,004 | 8,304,284 | | | |
| | Mr. U.G. Madanayake | Director | | | | Creditors | 379,260 | 372,480 |
| | Mrs. N.C. Madanayake | Director | | | | Rent Paid | 1,200,000 | 1,200,000 |
| | **Mr. Chandra de Silva | | | | | Reimbursement of Selling & Distribution Expenses | 303,957 | 289,607 |
| | | | | | | | | |
| ACL Cables PLC has guaranteed a credit facility of Rs. 24 Mn obtained by Ceylon Bulbs & Electricals Ltd from HNB | | | | | | | | |
| ACL Metals & Alloys (Pvt) Ltd | Mr. U.G. Madanayake | Director | Amount due from | 25,961,800 | - | | | |
| | Mr. Suren Madanayake | Director | | | | Loans given | 31,184,703 | 31,184,703 |
| | | | | | | Amount due to | - | 3,355,553 |
| | | | | | | Purchases | 615,124,521 | 436,094,139 |
| | | | | | | Creditors | 92,631,722 | 93,727,085 |
| | | | | | | Debtors | 2,715,220 | 11,936,776 |
| ACL Cables PLC has guaranteed a credit facility of Rs. 375 Mn obtained by ACL Metals & Alloys (Pvt) Ltd. | | | | | | | | |
| ACL Polymers (Pvt) Ltd | Mr. U.G. Madanayake | Director | No transactions during the year | - | | | | |
| | Mr. Suren Madanayake | Director | | | | | | |

In addition to above, certain Directors of the Company are also Directors of the following Companies which have had transactions in the normal course of business.

| | | | | | |
|--|-------------------------|----------|------------------|---|---------|
| Group Management & Secretarial Services (Pvt) Ltd. | ** Mr. Chandra de Silva | Director | Secretarial Fees | - | 172,503 |
|--|-------------------------|----------|------------------|---|---------|

** Deceased

Transactions with Key Managerial Personnel

Key Managerial Personnel include members of the Board of Directors of ACL Cables PLC and its Subsidiary Companies.

39.1 Compensation to Key Managerial Personnel

| For the year ended 31st March | Group | | Company | |
|-------------------------------|------------|------------|------------|------------|
| | 2009 Rs. | 2008 Rs. | 2009 Rs. | 2008 Rs. |
| Short Term benefits | 20,466,666 | 17,909,800 | 13,000,000 | 11,720,000 |

39.2 Transactions involving Key Managerial Personnel and their close family members

There were no transactions with Key Managerial Personnel and their close family members during the year.

Information to Shareholders

Distribution of Shareholders as at 31st March 2009.

| | Category Shareholders | Number of % | Number of Ordinary Shares |
|-----------------------|-----------------------|--------------|---------------------------|
| 1 | - 1,000 shares | 1,711 | 609,917 |
| 1,001 | - 5,000 shares | 687 | 1,717,986 |
| 5,001 | - 10,000 shares | 141 | 1,062,680 |
| 10,001 | - 50,000 shares | 149 | 3,230,249 |
| 50,001 | - 100,000 shares | 31 | 2,213,306 |
| 100,001 | - 500,000 shares | 26 | 5,333,802 |
| 500,001 | - 1000,000 shares | 2 | 1,418,720 |
| Over 1,000,001 shares | | 7 | 44,307,020 |
| | | <u>2,754</u> | <u>59,893,680</u> |

Analysis report of Shareholders as at 31st March 2009

| | No. of Shares | Total Holdings |
|---------------|-------------------|----------------|
| Institutional | 12,514,470 | 21% |
| Individuals | 47,379,210 | 79% |
| | <u>59,893,680</u> | <u>100%</u> |

| | 31-03-2009 | 31-03-2008 |
|---|-------------|-------------|
| a) Earnings per share (Rs.) | 0.09 | 3.07 |
| b) Dividend per share (Rs.) | 0.50 | 3.50 |
| c) Net assets value per share (Rs.) | 38.58 | 38.94 |
| d) Market value per share | | |
| - Highest Value (Rs.) | 34.00 | 108.50 |
| - Lowest Value (Rs.) | 24.25 | 45.00 |
| - Value as at the end of Financial year (Rs.) | 24.25 | 46.00 |
| e) No. shares Traded | 5,507 | 1,752 |
| f) Total No. of shares Traded | 8,309,900 | 1,242,700 |
| g) Total Turnover (Rs.) | 308,855,500 | 111,741,875 |
| h) Percentage of shares held by the public | 35.85 | 38% |
| i) No of Foreign Shareholders | 43 | 48 |
| CONSOLIDATED | | |
| a) Earning per share (Rs.) | 2.19 | 4.90 |
| b) Net assets value per share (Rs.) | 63.33 | 60.37 |

Twenty Largest Shareholders as at 31st March 2009

| Shareholder Name | Number of shares 31.03.2009 | Holdings % | Number of shares 31.03.2008 | Holdings % |
|--|--------------------------------|---------------|--------------------------------|---------------|
| 01) Madanayake U.G | 22,642,116 | 37.80 | 22,642,116 | 37.80 |
| 02) Madanayake H.A.S | 13,302,396 | 22.21 | 13,302,396 | 22.21 |
| 03) Sri Lanka Insurance Corporation Limited - Life Fund | 2,796,600 | 4.67 | - | - |
| 04) Employees Provident Fund | 1,702,112 | 2.84 | 1,378,712 | 2.30 |
| 05) Alchemy Heavy Metals (Private) Limited | 1,650,000 | 2.75 | 1,032,800 | 1.72 |
| 06) Employees Trusr Fund Board | 1,198,700 | 2.00 | 920,000 | 1.54 |
| 07) Mrs. Madanayake N.C | 1,032,100 | 1.72 | 1,032,100 | 1.73 |
| 08) FAB Foods (Private) Limited | 767,520 | 1.28 | 767,520 | 1.28 |
| 09) Lintotawela V. | 651,200 | 1.09 | 651,200 | 1.09 |
| 10) Subasinghe D.K & Subasinghe S.N | 442,200 | 0.74 | 400,000 | 0.67 |
| 11) Perera R.D.M | 409,932 | 0.68 | 409,932 | 0.68 |
| 12) Sino Lanka (Private) Limited | 382,100 | 0.64 | 481,800 | 0.80 |
| 13) Sir Cyril De Zoysa Trust | 341,036 | 0.57 | 341,036 | 0.57 |
| 14) Almeshaal A.M.A | 320,000 | 0.53 | 320,000 | 0.53 |
| 15) Perera & Sons (Bakers) Limited | 290,000 | 0.48 | 300,000 | 0.50 |
| 16) Eagle Insurance Company Limited | 277,600 | 0.46 | 260,000 | 0.43 |
| 17) Bhatt P.N | 240,000 | 0.40 | 240,000 | 0.40 |
| 18) Associated Electrical Corporation PLC | 200,000 | 0.33 | 17,108 | 0.03 |
| 19) Jayaratne P.S | 198,472 | 0.33 | 198,472 | 0.33 |
| 20) National Asset Management Limited | 188,000 | 0.31 | - | - |

Five Year Summary - Group

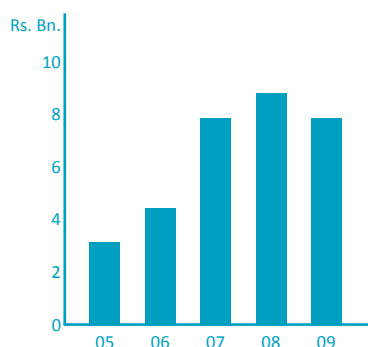
TRADING RESULTS

| Year Ended | 31st March 2009 Rs.' 000 | 31st March 2008 Rs.' 000 | 31st March 2007 Rs.' 000 | 31st March 2006 Rs.' 000 | 31st March 2005 Rs.' 000 |
|-------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Turnover | 7,838,591 | 8,773,581 | 7,820,083 | 4,460,458 | 3,167,136 |
| Profit Before Tax | 161,408 | 524,295 | 1,368,196 | 760,542 | 424,925 |
| Taxation | (3,348) | (200,293) | (484,293) | (205,893) | (58,802) |
| Profit After Tax | 158,060 | 324,002 | 883,903 | 554,649 | 371,123 |

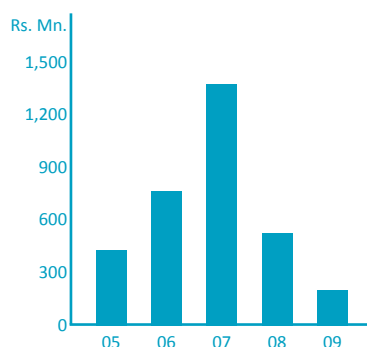
BALANCE SHEET

| As At | 31st March 2009 Rs.' 000 | 31st March 2008 Rs.' 000 | 31st March 2007 Rs.' 000 | 31st March 2006 Rs.' 000 | 31st March 2005 Rs.' 000 |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Stated Capital | 299,488 | 299,488 | 299,488 | 149,734 | 122,510 |
| Capital Reserve | 441,223 | 404,712 | 151,048 | 134,325 | 161,550 |
| Revenue Reserve | 2,625,133 | 2,524,758 | 2,336,043 | 1,706,622 | 1,201,134 |
| | <u>3,365,844</u> | <u>3,228,958</u> | <u>2,786,579</u> | <u>1,990,681</u> | <u>1,485,194</u> |
| Minority Interest | 426,976 | 386,796 | 374,917 | 270,230 | 225,302 |
| Non Current Liabilities | 202,317 | 327,748 | 350,649 | 386,183 | 478,316 |
| | <u>3,995,137</u> | <u>3,943,502</u> | <u>3,512,145</u> | <u>2,647,094</u> | <u>2,188,812</u> |
| Property, Plant & Equipment | 1,519,824 | 1,359,273 | 918,058 | 854,179 | 757,277 |
| Leasehold Properties- Prepayments | 1,842 | 1,864 | 1,886 | 1,930 | - |
| Capital Work in Progress | 107,215 | 65,842 | 152,147 | 7,522 | 129,904 |
| Intangible Assets | 5,993 | 5,993 | 5,992 | 550 | 733 |
| Investment Property | 120,000 | 104,000 | 104,000 | - | - |
| Investments | 23,185 | 23,732 | 23,499 | 23,244 | 23,237 |
| Current Assets | 5,096,844 | 6,356,635 | 5,214,013 | 3,545,312 | 2,422,287 |
| Current Liabilities | (2,879,766) | (3,973,837) | (2,907,450) | (1,785,643) | (1,144,626) |
| Capital Employed | <u>3,995,137</u> | <u>3,943,502</u> | <u>3,512,145</u> | <u>2,647,094</u> | <u>2,188,812</u> |

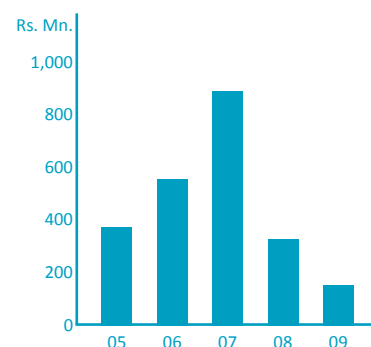
Turnover



Profit Before Tax



Profit After Tax



Glossary of Financial Terms

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

Amortization

The systematic allocation of the depreciable amount of intangible assets over its useful life.

Borrowings

All interest bearing liabilities.

Capital Employed

Total equity, minority interest and interest bearing borrowings.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Cash Equivalents

Liquid investments with an original maturity period of three months or less.

Contingent Liability

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the enterprise.

Credit Rating

An evaluation of a corporate's ability to re-pay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of the entity, the supervision of executive action and accountability to owners and others.

Current Ratio

Current assets divided by current liabilities. A measure of liquidity.

Debit /Equity

Debt as a percentage of total equity.

Deferred Taxation

The tax effect of temporary differences deferred to/from other periods, which would only qualify for inclusion on a tax return at a future date.

Earnings per Ordinary Share (EPS)

Profits attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

Effective Tax Rate

Income tax expenses divided by profit from ordinary activities before tax.

Equity

Shareholders' funds.

Dividends

Distribution of profits to holders of equity investment.

Dividend Cover

Profit attributable to ordinary shareholders divided by dividend. Measures the number of times dividend is covered by distributable profit.

Dividend yield

Dividend per share as a percentage of the market price. A measure of return on investment

Interest Cover

Profit before tax plus net finance cost divided by net finance cost. Measure of an entity's debt service ability.

Market Capitalization

Number of shares in issue multiplied by the market value of a share at the report date.

Net Assets Per Share

Shareholders' funds divided by the weighted average number of ordinary share in issue. A basis of share valuation.

Net Worth

Total equity less minority interest if any.

Operating Profit

Profit before tax and net finance cost.

Price Earnings Ratio

Market price of a share divided by earnings per share as reported at that date.

Prudence

Inclusion of a degree of caution in the exercise of judgement needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

Related Parties

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

Return on Equity

Profit before tax divided by total equity.

Return on Total Assets

Profit before tax plus finance cost divided by total average assets.

Revenue Reserves

Reserves considered as being available for distribution.

Segments

Constituent business units grouped in terms of similarity of operations.

Stated Capital

The total amount received by the company or due and payable to the company in respect of issue of shares are referred to as stated capital.

Value Addition

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

Working Capital

Capital required to finance day-to-day operations computed as the excess of current assets over current liabilities.

Milestones

1962

In March 1962, Associated Motorways Ltd (AMW) incorporated Associated Cables Ltd as a Subsidiary for the manufacture of electric cables.

1963

Within a period of one year, manufacture of electric cables commenced in Sri Lanka for the first time with Japanese technical assistance within the AMW Industrial complex at Kalutara.

1976

The Company became a public quoted company under the rules of Colombo Brokers Association.

1978

Facilities for drawing of Copper wires were added.

1980

The Company moved out of AMW Group.

Aluminum Conductor plant was set up for the manufacture of AAC and ACSR.

1981

Joint Venture with Aluminum Industries Ltd, India for the manufacture 1400 M/Ts of Aluminium conductors.

1982

Establishment of own distribution network island wide.

1986

Production of Armoured cable commenced at Piliyandala Factory.

1988

Company entered into a technical collaboration agreement with Nokia Cables Finland, for manufacturing of Aerial Bundled Cables and XLPE Insulated Cables.

1990

The name of the company was changed from Associated Cables Ltd. 'to ACL Cables Ltd, in order to establish an independent identity for the Company.

1991

ACL Plastics Limited was incorporated for the manufacture of PVC compound.

1993

Second technical collaboration agreement with NOKIA Cables of Finland for drawing and ageing Aluminum Alloy conductors.

Commenced manufacturing of PVC compound at ACL Plastics Ltd, Ekala.

1995

Export of Cables commenced to Bangladesh and Maldives.

Acquisition of Ceylon Bulbs & Electricals Ltd.

1999

Acquisition of Kelani Cables Ltd.

Introduction of Power - X and Flexi cables.

2006

Incorporation of ACL Metals & Alloys (Private) Ltd and ACL Polymers (Private) Ltd.

Introduction of Fireguard and other fire rated range of Products.

2007

Winning the Achievers Gold Award for Performance Excellence awarded by the Ceylon National Chamber of industries Sri Lanka, National Quality Award and Taiki Akimoto Award on 5S.

2008

ACL Cables PLC awarded the highest award of Asia Pacific Quality Organisation beating participants from 46 countries. Recognised as a world class company.

Awarded Super Brand status for ACL brand.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Forty Seventh Annual General Meeting of ACL Cables PLC will be held at the Main Auditorium of the Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara Mawatha, Colombo 07 on Monday the 28th of September 2009, at 10.00am for the following purposes.

- 1) To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2009 with the Report of the Auditors thereon.
- 2) To re-elect as Directors Mr. Hemantha Perera and Mr. Ajit Jayaratne who retire by rotation in terms of Article 85 and being eligible for re-election in terms of Article 86, respectively, of Articles of Association of the Company.
- 3) To appoint PricewaterhouseCoopers, Chartered Accountants as Auditors and to authorize the Directors to determine their remuneration.
- 4) To consider and if thought fit to pass the following Ordinary Resolution, of which special notice has been given by a Shareholder of the Company.
 - a) "that Mr. U.G Madanayake, who has passed the age of 70 years in May 2006, be and is hereby appointed a Director of the Company and that the age limit of 70 years referred to in Section 210 of Companies Act No 07 of 2007 shall not apply to him."
 - b) "that Dr. S.K Madanayake, who has passed the age of 70 years in February 1999, be and is hereby appointed a Director of the Company and that the age limit of 70 years referred to in Section 210 of Companies Act No 07 of 2007 shall not apply to him."
- 5) To authorize Directors to determine donations to charities.
- 6) To transact any other business that may properly be brought before the Meeting.

BY ORDER OF THE BOARD

(Sgd.)

Corporate Affairs (Private) Limited
Secretaries

26th August 2009

Form of Proxy

ACL CABLES PLC

I/We.....of
 being a Shareholder/ Shareholders of the above Company hereby appoint
 or failing him/ her of

As my/ our proxy to vote for me/ us on my/ our behalf at the Annual General Meeting of the Company to be held on the 28th of September 2009 at 10.00 a.m. and at any adjournment thereof.

| | IN FAVOUR | NOT IN FAVOUR |
|---|--------------------------|--------------------------|
| 01 To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March 2009 with the report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 02 To re-elect as Directors Mr. Hemantha Perera and Mr. Ajit Jayaratne who retire by rotation. | <input type="checkbox"/> | <input type="checkbox"/> |
| 03 To appoint PricewaterhouseCoopers, as Auditors of the Company and authorize the Directors to determine their remuneration. | <input type="checkbox"/> | <input type="checkbox"/> |
| 04 (a) Ordinary Resolution (a) relating to the appointment of Mr. U G Madanayake. | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) Ordinary Resolution (b) relating to the appointment of Dr. S K Madanayake. | <input type="checkbox"/> | <input type="checkbox"/> |
| 05 To authorize the Directors to determine donation to charities. | <input type="checkbox"/> | <input type="checkbox"/> |

Signed thisday of2009

SIGNATURE

**ACL CABLES PLC
 ATTENDANCE SLIP REF.NO**

ANNUAL GENERAL MEETING

I/We hereby record my/our presence at the Forty Seventh Annual General meeting of ACL CABLES PLC

01. NAME OF SHARE HOLDER :

NAME OF PROXY :
 (if applicable)

02. SHAREHOLDER'S NIC NUMBER :

PROXY'S NIC NUMBER :
 (if applicable)

03 SIGNATURE OF SHEREHODER :

SIGNATURE OF PROXY :
 (if applicable)

SHAREHOLDERS ARE KINDLY REQUESTED TO BRING THIS ATTENDANCE SLIP WITH THEM

WHEN ATTENDING THE MEETING AND HAND OVER FOR REGISTRATION.

Corporate Information

Company Name

ACL Cables PLC

Registration Number

PQ 102

Board of Directors

U.G Madanayake – Chairman

Suren Madanayake – Managing Director

S.K Madanayake

Mrs. N.C Madanayake

Hemantha Perera

D.D Wahalatantri

A.M. De S. Jayarathne

P.S.R Casie Chitty

Mr. Chandra de Silva

Secretaries

Corporate Affairs (Private) Limited

Group Financial Controller

Roschen Perera MBA, FCMA, FCA

Registered Office

21, Norris Canal Road,

Colombo 10. E-mail : info@acl.lk

Website : www.acl.lk

Auditors

Messrs. Kreston MNS & Co.,

Chartered Accountants

50/2, Sir James Peiris Mawatha,

Colombo 02.

Bankers

Standard Chartered Bank

Hatton National Bank

National Development Bank

Sampath Bank

Nation Trust Bank

Hongkong & Shanghai Banking Corporation

Peoples' Bank

Commercial Bank

City Bank

Deutsche Bank



everywhere

ACL Cables PLC

No 21, Norris Canal Road, Colombo 10

T: 2697652 E: info@acl.lk

www.aclcables.lk